

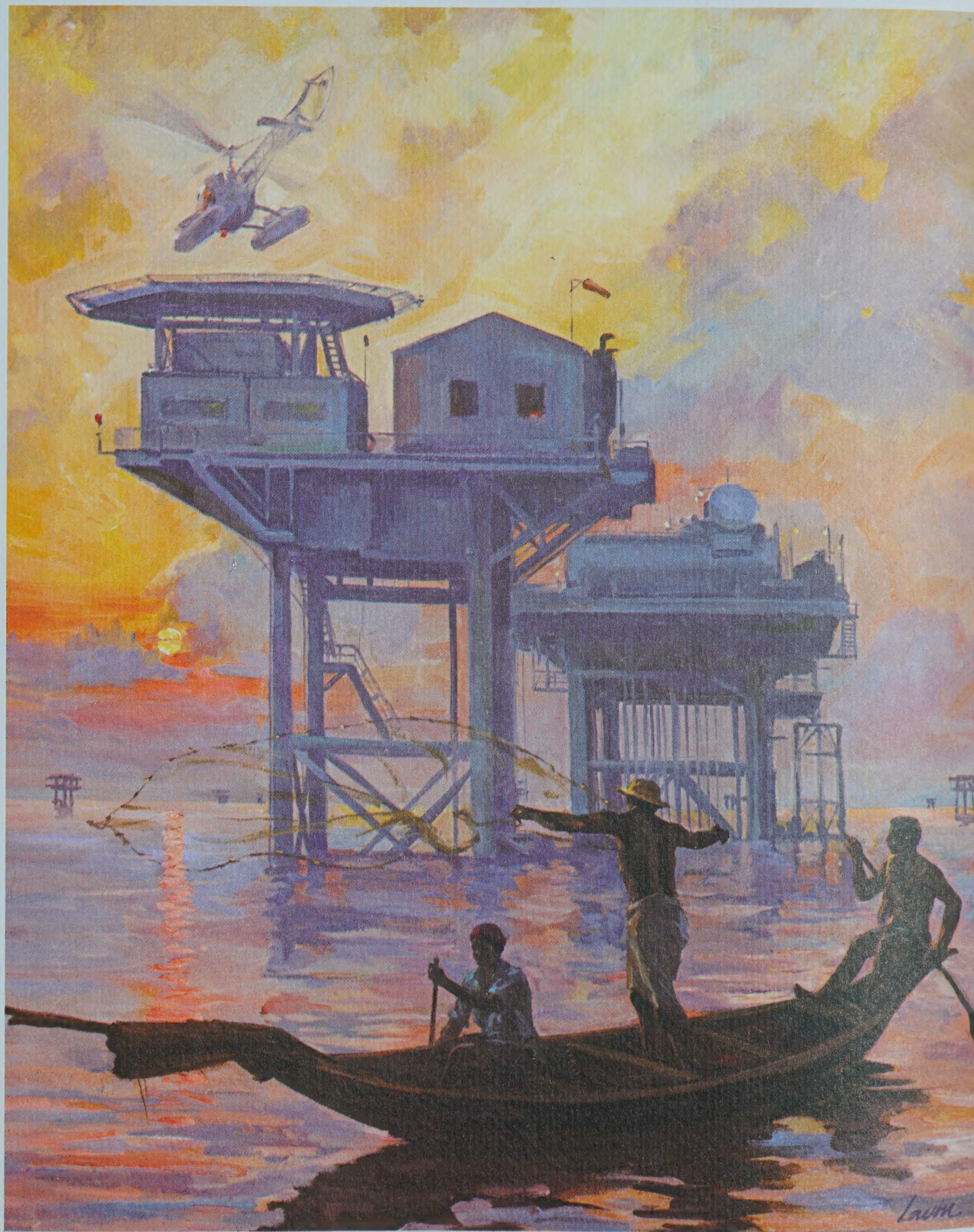
# Gulf Oil Corporation 1968 Annual Report

AR39



*Nigerian production has been increased from an average of 54,800 barrels daily in 1967 to 180,000 barrels daily at the end of 1968.*







GULF OIL CORPORATION  
Executive Offices  
Gulf Building, Pittsburgh, Pa.

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## Board of Directors

E. D. BROCKETT  
*Chairman of the Board*

I. G. DAVIS

F. R. DENTON

B. R. DORSEY

E. D. LOUGHNEY

BEVERLEY MATTHEWS

RICHARD K. MELLON

ROYCE H. SAVAGE

W. K. WARREN

GEORGE W. WYCKOFF

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J. F. DRAKE  
*Director Emeritus*

JOHN F. WALTON, JR.  
*Director Emeritus*

## Principal Corporate Officers

E. D. BROCKETT  
*Chairman of the Board and  
Chief Executive Officer*

B. R. DORSEY  
*President*

I. G. DAVIS  
*Executive Vice President*

E. D. LOUGHNEY  
*Executive Vice President*

ROYCE H. SAVAGE  
*General Counsel*

W. W. ADAMS  
*Senior Vice President*

T. A. DIETZ  
*Senior Vice President*

W. L. HENRY  
*Senior Vice President*

A. LEWIS, JR.  
*Senior Vice President*

RUSSELL G. CONNOLLY  
*Vice President and Secretary*

H. R. MOORHEAD  
*Treasurer*

FRED DEERING  
*Comptroller*

## Principal Subsidiary and Affiliated Companies

Gulf Oil Company—U.S.  
Houston, Texas

F. S. SCHWEND  
*President*

Z. Q. JOHNSON  
*Executive Vice President*

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Gulf Oil Company—  
Eastern Hemisphere  
London, England

A. R. MARTIN  
*President*

F. L. PYLE  
*Executive Vice President*

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Gulf Oil Company—  
Latin America  
Coral Gables, Florida

CLIFF W. PEERY  
*President*

---

Gulf Oil Company—Asia  
Tokyo, Japan

P. E. HOLLOWAY  
*President*

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Gulf Oil Trading Company  
Pittsburgh, Pennsylvania

R. B. HOFFMAN  
*President*

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Gulf Oil Canada Limited  
Toronto, Canada

C. D. SHEPARD  
*Chairman of the Board*

C. HAY  
*President*

JERRY McAFEE  
*Executive Vice President*





# Gulf Oil Corporation 1968 Annual Report

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## Registrars

Morgan Guaranty Trust Company of New York,  
New York

Pittsburgh National Bank, Pittsburgh

The First National Bank of Chicago, Chicago

## Transfer Agents

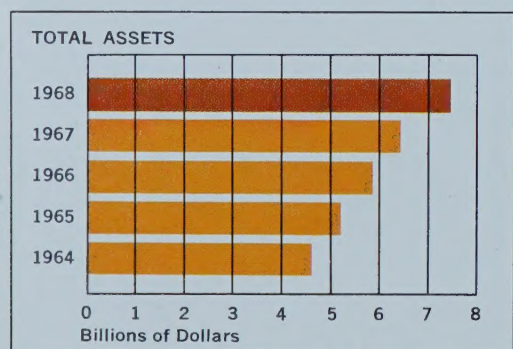
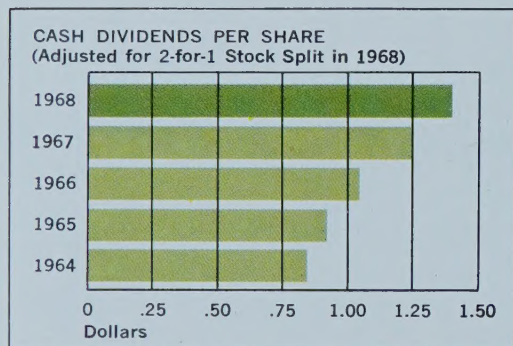
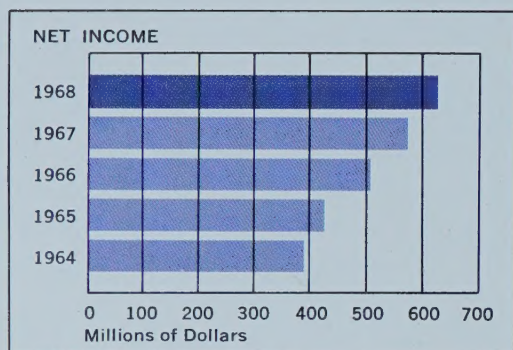
Bankers Trust Company, New York

Mellon National Bank and Trust Company,  
Pittsburgh

Continental Illinois National Bank and  
Trust Company of Chicago, Chicago



## Highlights



### Financial Data

	1968	1967
Income before Extraordinary Items..	\$ 626,319,000	\$ 568,347,000
Per Share*	\$3.02	\$2.74
Net Income .....	\$ 626,319,000	\$ 578,287,000
Per Share*	\$3.02	\$2.79
Cash Dividends .....	\$ 290,626,000	\$ 259,142,000
Per Share (after stock split) ....	\$1.40	\$1.25
Working Capital (current assets less current liabilities) .....	\$1,184,370,000	\$ 882,639,000**
Return on Average Shareholders' Equity .....	13.7%	13.6%
Total Assets .....	\$7,498,277,000	\$6,482,024,000**
Sales and Other Operating Revenues .....	\$5,595,660,000	\$5,109,597,000
Depreciation, Depletion, etc. ....	\$ 420,258,000	\$ 367,746,000
Capital Expenditures .....	\$1,088,525,000	\$ 864,852,000

\*Based on shares outstanding at the end of each year after giving effect to the two-for-one stock split in 1968.

\*\*Restated for comparative purposes.

### Operations\*

Net Crude Oil, Condensate and Natural Gas Liquids Produced (daily average barrels) .....	2,544,700	2,374,700
Net Natural Gas Produced (thousand cubic feet per day) .....	2,994,400	2,688,000
Crude Oil Processed (daily average barrels) .....	1,394,200	1,386,600
Refined Products Sold (daily average barrels) .....	1,396,300	1,329,300
Coal Mined (daily average tons) .....	25,300	24,600
Chemicals Sold (daily average tons) .....	10,100	8,400

\*Includes 100% of volumes of all subsidiaries consolidated (more than 50% owned).



## To the Shareholders of Gulf Oil Corporation

During 1968, the Gulf Oil Corporation continued to grow. In all major categories of the company's business, volumes produced, processed and sold reached new highs. Sales and other operating revenues climbed to a new peak of \$5,596,000,000, and earnings rose to \$626,319,000, or 10.2 percent more than in 1967. Adjusted to reflect a two-for-one stock split, this represents \$3.02 per share, compared to \$2.74 per share in the preceding year.

The stock split was proposed by the Board of Directors in July, and approved by the shareholders at a special meeting on September 17. Their action changed the formerly authorized 150,000,000 shares of \$8.33 $\frac{1}{3}$  par value stock to 300,000,000 shares without par value, without changing the shareholders' equity represented by the capital stock, capital surplus and earned surplus accounts of the corporation. The number of shares outstanding was doubled when distribution of the additional shares had been completed.

At the July meeting, the Board also increased the quarterly dividend from 65 to 75 cents per share. A dividend at

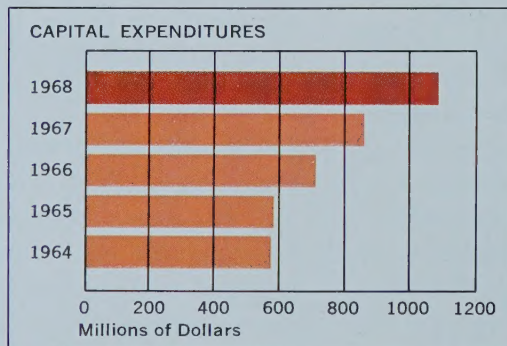
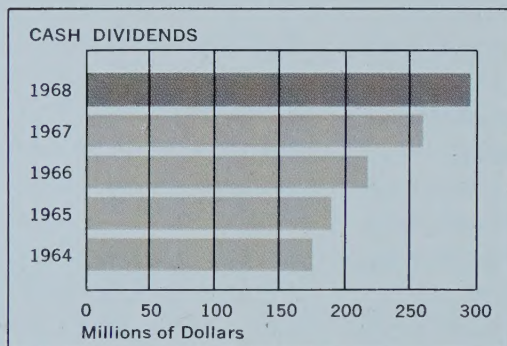
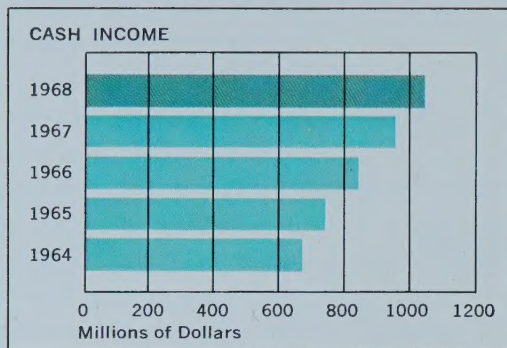
the 75-cent rate was paid in September, and at 37 $\frac{1}{2}$  cents per share in December, the latter payment being a reflection of the stock split and subsequent doubling of the number of outstanding shares. It was the 16th consecutive year in which cash dividends have been increased. The total of \$290,626,000 paid out in dividends during 1968 represents \$31,484,000, or 15 cents per share, more than dividends paid in 1967.

At the annual shareholders' meeting in April, we announced a plan to further decentralize the corporation's operating elements through the creation of four regional companies, headquartered in Houston, Coral Gables, London and Tokyo. A fifth, headquartered in Pittsburgh, was charged with responsibility for international sales of crude oil, cargo lot products, aviation and marine fuels, and liquefied petroleum gas. This plan became effective on June 1, and, we are pleased to report, has already begun to demonstrate the operating benefits we expected it to provide.

In Canada, The British American Oil Company Limited, which is approximately 69 percent owned by Gulf, also initiated a number of organizational changes, and on January 1, 1969, formally changed its name to Gulf Oil Canada Limited. The conversion of Gulf Oil Canada's coast-to-coast service station network to the Gulf emblem is to be completed before the 1969 summer tourist season begins.

As a consequence of these organizational changes, we decided to also change





the textual part of our annual report. In the past, we have reported our worldwide activities on a departmental basis. In this report, they will be described by regions. It is our belief that the new format will help our shareholders to a better understanding of our operations.

Over the five years ending with 1968, Gulf's capital and exploratory expenditures have been steadily increasing. In 1968, capital expenditures for properties, plant, equipment and related business investments were \$1,089,000,000, with an additional \$109,550,000 expended on exploratory activities, and the program for 1969 is projected to be at about the same level. These programs are designed to provide continued growth of the company's operations.

During the five years, Gulf's net income has grown at the average annual rate of 11.1 percent. While it will be extremely difficult to maintain this high rate of increase indefinitely, we feel confident that in 1969 we will continue our growth. Our capacity to do so is attributable both to our continued high level of capital investment and to the loyalty and skill of thousands of Gulf employees scattered around the world, and to them we extend our thanks.

Early in 1969, the annual distribution to employees under the Gulf Savings-Stock Bonus Plan was made and 19,097 employees participated. This represented a substantial increase over the 17,500 who shared in the distribution of the

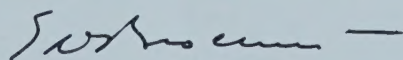


preceding year. The Plan was inaugurated in 1950 to encourage employees to set aside part of their wages as savings through purchase of U.S. Savings Bonds and at the same time to enable them to become shareholders in the company. The success of the Plan is attested by the fact that 85 percent of eligible employees are now participating.

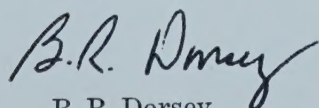
In 1968, our Manpower Development Program, which was created to provide a system whereby organizational manpower needs may be anticipated and an adequate supply of competent personnel made available, was revised to better accommodate the corporate structure resulting from the creation of the new regional companies. In addition, an extensive supervisory training program was created to improve the performance of supervisory personnel and to accelerate the personal development of those participating.

Gulf has recognized that one of the most serious domestic problems in the nation is the unemployed group of people who are referred to as the hard core and are predominantly concentrated in the heart of our principal cities. Gulf is conducting training programs and providing jobs for these people, in addition to supporting and participating in other programs with other organizations which have the same general aims as the National Alliance of Businessmen.

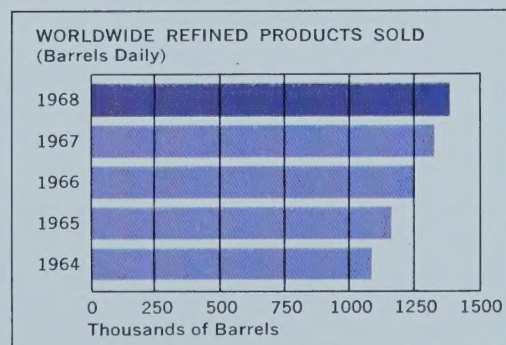
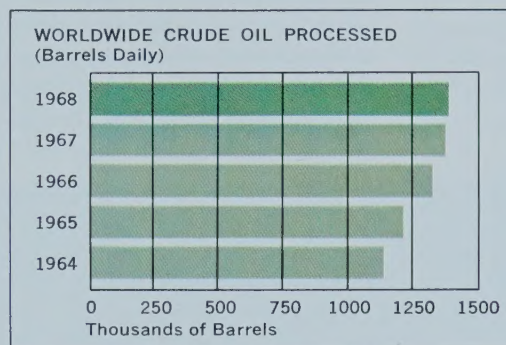
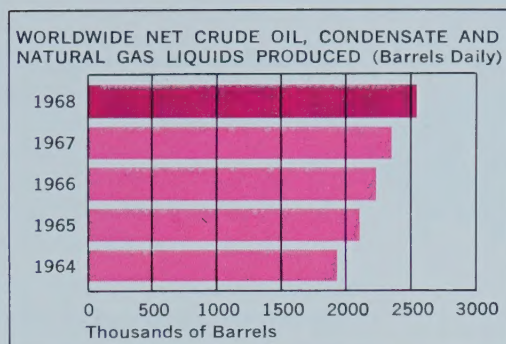
Respectfully submitted,



E. D. Brockett  
Chairman of the Board



B. R. Dorsey  
President







## Gulf Oil Company—U.S.

On June 1, Gulf's petroleum-related business in the United States became the responsibility of the newly created Gulf Oil Company—U.S. Excluded from its operations were Gulf General Atomic Incorporated, Gulf Reston, Inc., The Pittsburg & Midway Coal Mining Co., Gulf Mineral Resources Company and Gulf Research & Development Company.

As of the end of the year, Gulf held by mineral fee or leaseholds 7,535,000 acres of producing or prospective oil or gas land scattered through 29 states, of which 1,700,000 were classified as producing acreage. During the year, Gulf drilled or participated with others in drilling 738 exploratory and development wells, of which 665 were completed as producers of oil or gas. Exploratory work was carried on in many states, including Alaska, with the most intensive effort concentrated in coastal Louisiana and Texas, offshore California, the Anadarko Basin in the Oklahoma-Texas Panhandle area, and in the Delaware Basin of West Texas.

The Delaware Basin, during 1968, became an extremely active area containing what has been described as the largest concentration of ultra-deep drilling rigs in simultaneous operation ever assembled. The activity is basically centered in the Gomez field, in Pecos County, and spreads into adjacent counties including Reeves and Ward. For many years, West Texas has been an area in which Gulf produced a substantial portion of its United States crude supply. However, the current program aims at the discovery and production of natural gas in the very deep Ellenberger formation which requires that wells be drilled, in the Fort Stockton area, to an

average depth of 22,800 feet, or more than four miles.

In this program, Gulf has participated in 22 wells completed as producers in the Gomez field. In addition, five more wells were being drilled in this field. All of the completed Gomez field wells are producers or potential producers of prolific character. A substantial sale of gas has been made, with deliveries scheduled to begin in April 1969. Intensive wildcatting and development drilling will be continued through 1969.

For the past five years, Gulf's net U.S. crude and condensate production, exclusive of natural gas liquids, has increased yearly at the average annual rate of about 26,000 daily barrels. However, the orderly growth in production was disrupted in June 1967, when conflict broke out in the Middle East and the Suez Canal was closed. One result of these events was a sharp increase in U.S. production rates in 1967, and a consequent cutback in 1968 as the required flow of Middle East crude to Europe returned to more normal volumes even though Suez remained closed. Thus, 1967 was a year in which Gulf's U.S. production increase was considerably above the five-year average, and in 1968 it was somewhat below. When the two years are considered together, however, the annual increase measured in average daily barrels is 25,900 barrels, which is consistent with the several preceding years.

Since 1963, Gulf's domestic crude and condensate production has increased by approximately 129,000 barrels per day, and the volume of crude processed by 121,000 barrels per day. The volume of refined products sold, however, has, in the same period, increased by 190,000 barrels per day. Since it is Gulf policy to maintain, as closely as possible, a balance between crude production, refining capacity and marketing requirements, a decision was taken during 1968 to construct a large refinery. Except for the relatively small



20,000 barrels-per-day plant at Venice, Louisiana, Gulf has not built a new U.S. refinery in many years, although continuous modernization programs have kept existing refineries technologically up-to-date.

The new refinery will be built in Louisiana on the Mississippi River, and will have a capacity of 155,000 barrels per day. It will produce a full range of petroleum products plus some chemicals. Crude supply will be piped in from the Bay Marchand gathering point for South Louisiana and offshore production, and products piped out to a junction with Colonial Pipeline for deliv-

ery to various points through the southeastern and eastern states as far north as New Jersey. The plant is expected to be on-stream in mid-1971. When completed, the Louisiana refinery will increase Gulf's refining capacity in the United States by more than 20 percent.

During 1968, sales of automotive gasoline increased by 11.6 percent, or better than industry average. The increase in automotive gasoline sales was particularly gratifying in view of the fact that most of Gulf's competitors used "money games" to attempt to attract customers onto service station driveways. Gulf abstained

*Expansion of the Mont Belvieu, Texas, gas liquids complex increased capacity to 85,000 barrels per day.*







## Gulf Oil Company—U. S. (continued)

from the use of money games and, instead, used network television through sponsorship of Walt Disney's Wonderful World of Color, the national political conventions and Instant News, which included the space shots, to broadcast advertising which emphasized quality products and prompt, courteous and efficient service. This was supplemented by intensive dealer training and nationally advertised service station promotions, from which the dealers received direct benefits. The program generated a great deal of dealer enthusiasm which resulted in increased sales.

In July, a new motor oil—Gulfpride Formula G—was successfully introduced. This oil was especially developed for high performance and competition motors and had been widely tested in a Gulf-supported racing program which won the World Manufacturer's Championship.

During the year, Gulf continued its new

service station building program, completing 497 new stations and modernizing an additional 368. As in the past several years, special emphasis was placed on locations serving the expanding network of new interstate highways and on those operating in conjunction with Holiday Inns of America, Inc. As new stations are opened, old ones whose potentials have been reduced by changing conditions have been closed. The net effect is to increase sales volume per station, to reduce the total number of outlets and to improve operating efficiency.

The use of Gulf Travel Cards continued to increase, and discussions were initiated with the Holiday Inns management looking toward the development of a chain of restaurants on Gulf service station properties which are not adjacent to Holiday Inns.

Sales of natural gas increased by 230 million cubic feet per day, or 10 percent



*At the agricultural chemical plant at Donaldsonville, Louisiana, prilled urea and granular fertilizer drop through a floor opening onto a conveyor belt that moves the product to waiting barges.*



in 1968, and those of natural gas liquids by 5 percent. In the five-year period ending with 1968, Gulf's sales of natural gas have increased by an annual average of 200 million cubic feet per day, and of natural gas liquids, by nearly 800 daily barrels, with the result that these increases now contribute very substantially to U.S. operations.

In large measure, this growth is attributable to the discovery and development of new gas reserves in the Louisiana offshore area and in West Texas. As development of these reserves continues, it can be anticipated that Gulf's natural gas and gas liquids business will continue to grow.

Although chemical sales showed volume gains in 1968 over 1967, Gulf's chemical operations and those of the industry generally continued to suffer from depressed prices due to excess capacity. In the fertilizer field, substantial excess capacity exists in all the basic plant foods

U. S. Operating Statistics

	1968	1967
Net crude oil, condensate and natural gas liquids produced (daily average barrels)	598,800	575,700
Net natural gas produced (thousands of cubic feet per day)	2,367,000	2,151,800
Crude oil processed (daily average barrels)	687,200	673,000
Refined products sold (daily average barrels)	786,600	740,100
Chemicals sold (daily average tons)	8,500	6,900
Equity interest (50% or less)	400	400

—nitrogen, phosphate and potash. In nitrogen, of which Gulf is a basic producer, capacity exceeded demand by about 30 percent in spite of an average increase in demand of 10 percent per year over the past five years. This condition requires intensified efforts to reduce costs, and Gulf made substantial progress in this direction during the year.

The completion and start-up of the Faustina Works, a new, efficient ammonia, urea, and mixed fertilizer plant on the Mississippi River, made possible a reduction in the cost of manufacturing ammonia by about \$15 per ton. The use of jumbo barges to deliver the products of the Faustina plant to terminals along the Mississippi and Missouri Rivers, and other waterways serving agricultural areas, substantially reduced distribution costs. The continued development of farm centers where a full line of fertilizers, pesticides, herbicides, and petroleum fuels are sold directly to the farmers increases the profitability of sales.

The two other major divisions of Gulf's chemical activities—plastics and petrochemicals—also suffered from depressed prices due to over-capacity, but not as severely as agricultural chemicals. Furthermore, in the latter half of 1968, prices for some products showed improvement and the outlook is for still further improvement in 1969.





# Gulf Oil Canada Limited



In November, shareholders of The British American Oil Company Limited (approximately 69 percent owned by Gulf) approved a proposal to change the name of the company to Gulf Oil Canada Limited. The conversion is expected to be completed before mid-year and, as a consequence, Gulf customers who visit Canada in the tourist season of 1969 and thereafter will be able to obtain Gulf branded products at some 6,000 service

stations displaying the familiar Gulf emblem across Canada.

Shareholders also approved a proposal to amalgamate two British American affiliates, Royalite Oil Company, Limited and Shawinigan Chemicals Limited, with Gulf Canada, subject to certain U.S. tax rulings which are expected to be forthcoming in the near future.

The proposed amalgamation is a step in a long-range program to streamline operations of Gulf Canada in order to effect substantial cost reductions and greater efficiency. As part of this program, Gulf Canada already has under construction a 60,000 barrel-per-day



*Gulf Canada is participating in wildcat drilling in the Mackenzie Delta of the Northwest Territories. Crews are faced with temperatures as low as 70 degrees below zero.*



refinery and deepwater terminal capable of receiving 326,000-ton ships at Point Tupper, Nova Scotia, which will furnish products for markets in the Maritime Provinces and Eastern Quebec.

Additionally, a modern 80,000 barrel-per-day refinery is to be built at Edmonton, Alberta, and application has been made for a pipe line to carry some products from this plant to Calgary.

In Canada, as in the United States, chemical prices have been depressed by surplus capacity. However, the completion of a 500-million-pounds-per-year ethylene plant at the Varennes, Quebec, plant of Shawinigan Chemicals will permit

Gulf Canada to switch from acetylene to the petroleum-derived ethylene in the manufacture of vinyl chloride, which is one of Shawinigan's principal products, with significant cost reductions. It also will make it possible for Gulf Canada to become a leading supplier of ethylene to other companies in the Montreal area. Sales agreements to supply ethylene to several major customers have already been signed.

During the year, Gulf Canada's exploration and development program was largely concentrated in the Zama Lake area of Alberta where additional discoveries were made. Exploratory drilling



Canadian Operating Statistics

	<u>1968</u>	<u>1967</u>
<i>Net crude oil, condensate and natural gas liquids produced (daily average barrels)</i>	80,100	74,100
<i>Net natural gas produced (thousands of cubic feet per day)</i>	315,000	283,100
<i>Crude oil processed (daily average barrels)</i>	194,900	191,400
<i>Refined products sold (daily average barrels)</i>	184,800	193,500
<i>Chemicals sold (daily average tons)</i>	1,100	1,200



also was continued in the Mackenzie River delta area, which is on the Arctic slope in the vicinity of recent major Alaskan discoveries.

Prolific gas discoveries continued to be made in the Strachan area of Alberta. During the year, a significant gas discovery was drilled by Gulf Canada at Strachan. In February 1969, Gulf Canada and Trans-Canada Pipe Lines Limited

signed a contract for Gulf Canada's share of the production from a block of approximately 100 sections in the Strachan area.

From discoveries made in 1968, increased production of crude oil, natural gas liquids and natural gas can be expected in the future. This, coupled with improvements in marketing, refining and chemical operations now being effected, provides a sound base for future growth.

*Before summer, properties formerly identified by the B-A sign will be marked with the Gulf emblem.*







## Gulf Oil Company—Latin America

Gulf's operations in Central America, South America, and the Caribbean islands became the responsibility of Gulf Oil Company—Latin America, headquartered in Coral Gables, Florida, on June 1.

During 1968, exploratory and development drilling continued in Venezuela, Bolivia, Colombia and Ecuador.

The Venezuelan drilling activity was in Lake Maracaibo and was mainly for the purpose of developing a new discovery made early in the year. The development program will be continued.

In Colombia, where Gulf is an equal partner with Texaco Inc., production was delayed pending completion of the Trans-Andean pipe line from the Putumayo area oilfields to the seaport of Tumaco. Originally scheduled for completion in 1968, the construction of the line was slowed by difficulties of terrain and abnormally heavy rains. It is expected to be finished during April 1969, and shipments will begin at an initial rate of 50,000 barrels per day. Continued drilling in Colombia has resulted in additional reserves and it is anticipated that shipments can be increased to 75,000 barrels per day by year end.

In Ecuador, across the border from Colombia's Putumayo area, further wildcatting in 1968 resulted in the discovery of additional reserves. The exploratory and development program in this area has met with an unusually high degree of success. Of 11 wells drilled, 10 have been completed as potential producers involving seven separate oilfields. At the present time a pipe line is under study and one of several alternate routes has been selected.

Through purchase of the assets of an existing marketing company in Ecuador, Gulf became an integrated refiner-marketer in that country in 1968. The refinery, purchased a year before, is at La Libertad, and the marketing network

### Latin American Operating Statistics

	<u>1968</u>	<u>1967</u>
<i>Net crude oil, condensate and natural gas liquids produced (daily average barrels)</i>	191,800	201,600
<i>Net natural gas produced (thousands of cubic feet per day)</i>	87,400	89,700
<i>Crude oil processed (daily average barrels)</i>	175,800	191,500
<i>Refined products sold (daily average barrels)</i>	80,500	68,300
<i>Chemicals sold (daily average tons)</i>	300	100



consists principally of 100 high-volume service stations located mostly in the cities of Quito and Guayaquil. The service stations were converted to the Gulf emblem and, supported by local advertising programs built around the theme "Gulf is here!", sales volumes were doubled within the first few months of operations.

During the year, net crude and condensate produced in Bolivia was 28,900 daily average barrels, or about the same level as in 1967. Venezuelan production, however, was nearly 10,000 daily average barrels less than the 169,800 barrels per day produced in 1967. As in the United States, this reflected increased production for European delivery during the last half of 1967 required by the closure of the Suez Canal, and a subsequent return to more nearly normal patterns of distribution in 1968.

In Bolivia, the most important developments involved natural gas. During the year, the Bolivian government, Bolivian Gulf Oil Company, YPFB, which is the Bolivian government-owned oil company, reached agreement with the Argentine government for the sale, on long-term contract, of substantial quantities of Bolivian gas to Argentina. Completion of the arrangement will require the construction of a pipe line from the Santa Cruz area southward to the town of Yacuiba on the Argentine border, where the gas will flow into an existing Argentinian pipe line for delivery in Buenos Aires. The Bolivian pipe line will be financed partly by loans from the World Bank, and partly by private U.S. investment capital.

Elsewhere, in the Central American and Caribbean area, Gulf added equipment to its Puerto Rican refinery to make asphalt and to make refinery gases available for sale and expanded capacity of its LP-gas plant at the Venezuelan refinery by 50 percent.

In the Latin American and Caribbean area, Gulf has engaged in an aggressive and growing marketing operation, with special emphasis on creating and developing high volume service station outlets, and this program has succeeded in gaining for Gulf a substantial share of markets in Panama, Guatemala, Costa Rica and Puerto Rico. With increasing volumes of new, low-sulphur crudes capable of yielding a relatively high percentage of gasoline, and other higher value products flowing into the company's production stream from Bolivia, Colombia and Ecuador within the next few years, it is an area of many opportunities for integrated operations.





## Gulf Oil Company—Eastern Hemisphere

For operational purposes, Gulf defines the Eastern Hemisphere as consisting of Europe, Africa, and the Middle East. Gulf Oil Company—Eastern Hemisphere, headquartered in London, has the responsibility for coordinating operations in this area.

In 1968, as in preceding years, the flow of money into the United States from Gulf's Eastern Hemisphere operations made a significant, favorable contribution to the U.S. balance of payments. But in 1968,

the restrictions on foreign investments required the company to obtain a substantial portion of its capital requirements through borrowings from European investors.

During 1968, Gulf carried on exploratory activities involving 40 million acres in Norway, Denmark, The Netherlands, Great Britain, Italy, Turkey, Cameroon, Congo, Gabon, Spanish Territories, South Africa, Mozambique, Ethiopia, Libya, and in the Adriatic Sea off Italy.

In the North Sea off Great Britain, a gas field was discovered. Assuming a successful outcome in negotiations for the sale of this gas, it will be put on production late in 1970. Continued exploratory drilling discovered two additional oilfields in the Nigerian offshore and one off Cabinda.

*From land-based storage tanks on the rise of land in the background, crude from Gulf wells in Cabinda is piped underwater to the buoy and then through floating hose to the tanks of waiting ships.*







## Gulf Oil Company—Eastern Hemisphere (continued)

Late in the year, production was begun in Cabinda, at an initial rate of 20,000 barrels per day. For the full year of 1969 Cabinda production is expected to be 40,000 daily barrels.

In Nigeria, at year end, production had been raised to 180,000 barrels per day. For the full year, Nigerian production averaged 98,300 daily barrels, an increase of 43,500 barrels per day over 1967, and for the full year of 1969 it is expected to average about 200,000 daily barrels.

In Kuwait, daily average production was 1,396,800 barrels, or 84,200 barrels per day higher than in 1967, and in Iran production was up 13,000 daily barrels, to an average daily level of 153,200 barrels.

During October and November, Gulf's mammoth tanker program went into operation with the delivery of cargoes of Kuwait crude to the new transshipment terminal in Bantry Bay, Ireland, by the UNIVERSE IRELAND and the UNIVERSE KUWAIT, the first of six 326,000 deadweight ton ships to go in service. The remaining four will begin deliveries during 1969, and these six ships will greatly reduce Gulf's dependence on spot-chartered ships for the delivery of Middle East crude to the European market, as well as effecting substantial reductions in shipping costs.

In their initial voyages, the big ships fulfilled all expectations, and received more attention from newspapers, radio and television around the world than has been given to any other commercial event of recent years. Looking forward to the completion of additional deepwater termi-

nals in Nova Scotia and Okinawa, Gulf is now planning at least three more tankers of the 300,000-ton class. Two of these will be built in Spanish shipyards.

The Spanish shipbuilding program was a part of a negotiation by which Gulf and a group of Spanish partners won a permit from the Spanish government for the construction and operation of a new 120,000 barrels-per-day refinery at Bilbao, Spain.

The Bilbao refinery, the second in Spain in which Gulf has an interest, is expected to be completed in 1971, and it represents the fifth new, wholly or partly owned European refinery to be built by Gulf within the past few years. A sixth has been approved for Italy, and is currently in the engineering stage. The others are in Spain, Holland, Denmark and in the United Kingdom. In addition, Gulf has a 25 percent interest in a refinery in Switzerland.

The United Kingdom refinery, at Milford Haven, Wales, went on stream in 1968, and was dedicated by Her Majesty, Queen Elizabeth II, in August.

The Milford Haven complex includes plants for the manufacture of benzene and cyclohexane and will be on stream early in 1969. Construction was begun on a new chemical plant in conjunction with the Europoort refinery near Rotterdam in Holland. A major product of the Europoort complex will be ethylene, for which there exists a growing demand both in the Rotterdam area and in nearby countries.

Gulf marketing in the Eastern Hemi-



sphere involves operations in Belgium, Denmark, Finland, Germany, Great Britain, India, Italy, Luxembourg, The Netherlands, Norway, Spain, Sweden and Switzerland. In addition, marketing is done through participation in joint ventures with others in France, Lebanon and Pakistan. The principal marketing efforts are concentrated in 11 countries of Western Europe, although entry in the service station marketing in West Germany was only undertaken in the latter part of the year.

In 1968, demand for refined products in this 11-country marketing area rose by 8.5 percent and Gulf sales increased by 16 percent. Gulf's gain in sales of gasoline was 11 percent. This was partly accounted for by the acquisition, at mid-year, of a marketing network which includes more than 1,000 retail outlets in Italy. An additional 74 outlets in West Germany were secured. At the end of 1968, Gulf's retail network in Europe included almost 6,100 outlets, a net increase of about 20 percent over 1967. With the addition of these new outlets, it is anticipated that a further substantial increase in the volume of refined products sold will be achieved in 1969.

Since 1965, Gulf has more than doubled its LP-gas sales in Europe. A new LP-gas plant was included in the Milford Haven refinery and this, coupled with additional supplies in Italy made available by the acquisition of an LP-gas facility which was part of the marketing network purchased, is expected to make possible a further 40 percent gain in LP-gas sales in 1969.

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Eastern Hemisphere (ex Asia) Operating Statistics

	<u>1968</u>	<u>1967</u>
<i>Net crude oil, condensate and natural gas liquids produced (daily average barrels)</i>	1,674,000	1,523,300
<i>Equity interest (50% or less)</i>	7,200	6,800
<i>Net natural gas produced (thousands of cubic feet per day)</i>	225,000	163,400
<i>Crude oil processed (daily average barrels)</i>	313,500	307,700
<i>Equity interest (50% or less)</i>	69,500	54,900
<i>Refined products sold (daily average barrels)</i>	324,900	309,400
<i>Equity interest (50% or less)</i>	39,000	43,300
<i>Chemicals sold (daily average tons)</i>	100	200
<i>Equity interest (50% or less)</i>	900	600

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# Gulf Oil Company—Asia

Gulf's first ventures in Europe, the Middle East, and South America took place in the period between World Wars I and II. By contrast, the company did not attempt to enter the petroleum markets of Asia until the middle 1950's, when increasing production in the Middle East made available growing quantities of crude oil for sale in world markets.

Its initial entry into the area was as a supplier of crude oil to Japanese refiners and marketers. Subsequently, Gulf expanded its Far Eastern activity as an equity participant with local, private capital in a refining operation in the Philippines, as a supplier of raw materials and technology to a government-owned company in Taiwan, and as a raw material supplier and equity participant in a refining operation in Korea. By the end of 1968, Gulf's operations included Japan, the Philippines, South Korea, Taiwan, Hong Kong and Thailand, and the company had established a position as a major supplier of crude, products and LP-gas to

an area in which the current petroleum demand of 3,000,000 barrels per day is growing at the rate of 11.1 percent per year.

At mid-year, Gulf's activities in this area were placed under the direction of Gulf Oil Company—Asia, and during 1968, Gulf's activities were aimed at expanding the number of countries in which it will operate and increasing the volume and variety of its business in those where it is already established.

In Thailand, an office was established to carry on preliminary exploratory work over a large onshore and offshore area for which licenses were granted in 1967.

In Indonesia, Gulf received a license to explore on the continental shelf and actual work on this concession commenced early in 1969.

In Australia, after a second dry hole had been drilled inside the Great Barrier Reef off Queensland, further drilling was suspended pending a reexamination of geological and geophysical data. In other countries, Gulf carried on negotiations for exploratory concessions by which to expand its search for additional reserves.

In Japan, Gulf is assisting a Japanese crude oil customer to construct an HDS (hydrodesulphurization) plant to desulphurize Kuwait and other heavy crudes and provide industrial fuel of low sulphur content. It is expected that this plant will become operational in 1970. The process is Gulf-owned and was developed by Gulf Research & Development Company. Gulf is actively pursuing further licensing of this technology.

In Okinawa, Gulf began construction of a deepwater transshipment terminal, similar in size and purpose to the one in Bantry Bay. By using 300,000-ton class tankers, increasing volumes of crude will be supplied to Far East customers.

In Korea, which Gulf entered in 1963 as a 25-percent partner with the government-owned Korea Oil Corporation in a refining

## Asian Operating Statistics

	<u>1968</u>	<u>1967</u>
<i>Crude oil processed (daily average barrels)</i>	22,800	23,000
<i>Equity interest (50% or less)</i>	23,400	12,300
<i>Refined products sold (daily average barrels)</i>	19,500	18,000
<i>Equity interest (50% or less)</i>	23,400	17,000
<i>Chemicals sold (daily average tons)</i>	100	—



and marketing operation, the company's interests continued to diversify and multiply. In 1964, the refinery went on stream with a 35,000 barrel-per-day capacity. It has since been enlarged, and in 1968 operated at a daily average level of 97,000 barrels. In 1968, arrangements were concluded to add to this refining operation facilities for the manufacture of petrochemicals under the same partnership arrangement.

Additional Gulf activities in Korea include a 50-percent equity participation in the government-owned Chinhae

Chemical Company, Ltd., for the manufacture of mixed fertilizers, and partnerships with private Korean-owned companies involving fuel oil marketing and the manufacture of polyethylene packaging materials.

In Taiwan, projects were initiated which will have the effect of increasing the profitability of a lubricating oil plant jointly owned by Gulf and the Chinese Petroleum Company. The China Gulf Plastics Corporation is expanding facilities for the production of vinyl chloride plastics.

*The UNIVERSE IRELAND, first of the 326,000-deadweight ton tankers on long-term charter to Gulf, was named during ceremonies in Japan in mid-August.*



# Gulf Oil Trading Company



The Gulf Oil Trading Company was established in 1962 for the purpose of managing and expanding the sale of bunker fuel to shipping operators around the world. In the reorganization of 1968, this company's activities were expanded, and it was given an important role to fill in Gulf's future as a worldwide company.

Under this expanded responsibility, GOTCO's activities embrace the Free World market and it provides a single trading entity through which Gulf's international sales activities can be channeled, together with the various services of supply, distribution and transportation which attend such sales. This was accomplished by assigning to GOTCO the administration of sales and distribution services previously handled as departmental responsibilities.

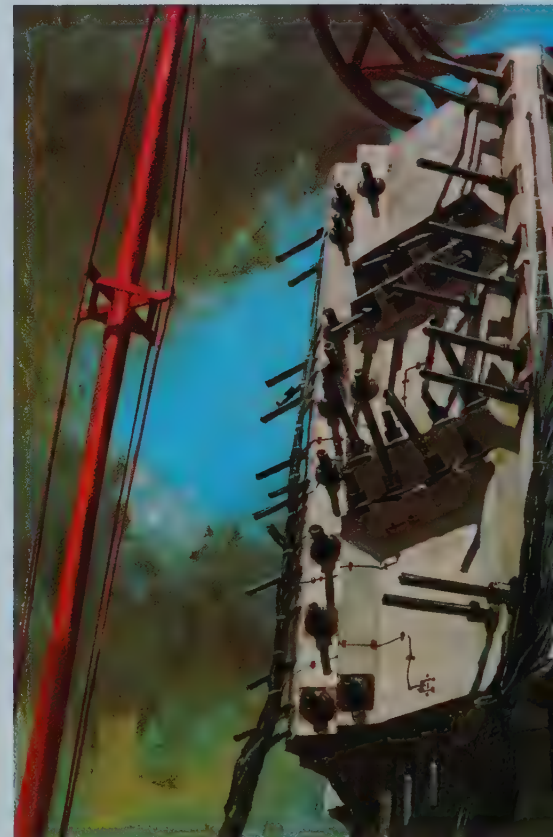
The function of GOTCO is to provide a corporate service in the sale of crude oil, bulk refined products, gas and gas liquids, marine fuels and lubricants, and aviation fuels in our international trade with third parties and affiliated companies. It also performs a service function for the regional companies to the extent they need to look outside their own operations for crude and product supplies, help in balancing their own refining capabilities, ocean transportation, and the planning associated with these functions.

During 1968, GOTCO continued an aggressive campaign to increase the number of ports at which facilities are available for the supply of marine fuels and lubricants to Gulf customers and, as in

each of the past five years, the volumes of fuels and lubricants sold were increased. At year's end, Gulf operated or participated in 169 bunkering stations in 29 countries or areas around the world. Additional stations were scheduled to begin operating in 1969, and further increases in sales volumes are expected.

Another element of GOTCO operations, the sale of fuels to international airlines, was also vigorously expanded. During 1968, representation was established at airports in Barcelona, Palma, Stockholm, New York, Miami, Lima, Quito, Guayaquil, Panama, Edmonton, Calgary and Toronto. During 1969 and 1970 it is expected that new outlets will be put in operation at airports in Milan, Rome, Madrid, Amsterdam, London, Zurich, Paris, Bangkok, Lisbon, Brussels, Pittsburgh and Buffalo.

*Instrumented scale model of a prestressed concrete reactor vessel which helped prove the high degree of safety inherent in Gulf General Atomic's high-temperature gas-cooled reactor (HTGR) system. A full-sized vessel approaching the height of a twelve-story building is now under construction for the Public Service Company of Colorado. It will serve a 330,000 kilowatt HTGR system which will go into operation in 1972.*





# Other Activities

## Gulf Mineral Resources Company

In May 1967, Gulf initiated an exploratory program to find and develop deposits of uranium. In 1968, it was decided to expand this operation, and Gulf Mineral Resources Company was created to direct a worldwide search for uranium, coal, oil shale, sulphur, potash, phosphate and other minerals related to the company's business.

Headquartered in Denver, Colorado, and with field offices in Texas, New Mexico, Utah, Wyoming and Idaho, Gulf Mineral Resources Company is carrying out exploratory drilling programs at the rate of about 1,000,000 feet of hole per year, on leases scattered over most of the western and southwestern states and in Canada.

Late in the year, an exploratory hole in northern Saskatchewan, where Gulf has acquired permits on approximately 1,750,000 acres, encountered uranium ore. The hole was drilled on an angle to a depth of 500 feet and showed an average uranium oxide content of 12 pounds per ton through selected zones totaling 195 feet in depth. Only one hole was drilled before the testing was shut down for the winter, and it was therefore impossible to determine whether the discovery was of sufficient size to warrant mining development. Further testing will be resumed in 1969 under a special program.

## Gulf General Atomic Incorporated

During the year, Gulf General Atomic Incorporated, a wholly owned subsidiary, which is internationally recognized as a pioneer in the development of high-temperature gas-cooled reactors (known as HTGR) for electric power generation, continued its broadly diversified research and development activities.

With Gulf General Atomic as prime contractor, construction was begun on a 330 megawatt HTGR power plant for the Public Service Company of Colorado at Fort St. Vrain, near Denver. This type of plant is recognized as being the most efficient yet developed for the generation of electricity and is being constructed under the U.S. Atomic Energy Commission Power Reactor Demonstration Program. Gulf General Atomic will not only supply the turn-key plant but will also provide eight years of nuclear fuel for its operation.

Another significant event of the year at Gulf General Atomic was that 14 additional investor-owned electric utility companies joined the support of GGA's program for the development of a gas-cooled, fast-breeder reactor. This brought the number of utilities supporting the program to 35, among them being some of the largest in the country.



Gulf General Atomic installed the first reverse osmosis water purifying plant ever to be put on stream in a municipal water system. The installation was made in the small town of Bessie, Oklahoma. The plant, measuring 3½ by 3½ by 10 feet overall, converts 10,000 gallons per day of brackish water into an equivalent volume of potable water for distribution in the usual manner to the homes in the community.

## Gulf Research & Development Company

Gulf's research on petroleum, as distinguished from its work in the nuclear field, is conducted by Gulf Research & Development Company at Harmarville, Pennsylvania. The purpose of GR&DC is to create and develop ideas, techniques, processes and products which will be helpful to all aspects of the corporation's petroleum-related operations. Some GR&DC developments in 1968 were:

- A new concept in fluid catalytic cracking was introduced, which can lead to the production of more gasoline at lower cost, and a Gulf process which converts volatile and low octane components of gasoline into more valuable and higher octane components was developed. The new process permits a reduction in the use of lead anti-knock agents, a factor in reducing air pollution.
- Better catalysts, less subject to metal poisoning, for the removal of sulphur from residual fuel by the Gulf Hydrodesulphurization (HDS) process, were made. The new catalysts have a markedly longer commercial life than those currently available.
- The research vessel GULFREX logged over 45,000 miles in the scientific quest for new reserves of oil and gas in oceanic basins.

- A new and integrated production-storage-export system was designed to enable Gulf to produce oil and gas economically from deeply submerged fields.
- Long-range studies of methods of developing economical oil sources from coal, tar sands and oil shale were carried out, while thermal methods for markedly increasing the recovery of oil from known deposits were improved.
- Two inexpensive chemical methods for locating uranium-bearing rocks were devised and introduced into field use, in cooperation with the Gulf Mineral Resources Company.
- Several new products were developed. These included Gulfpride Formula G Racing Motor Oil; Gulfco, a new series of crankcase oils for gas engines; Gulfpride Marine G Outboard Motor Oil, an ashless oil for the expanding power boat market; and Gulf Security AW Oils to give the corporation a competitive edge in the marketing of hydraulic oils for industrial uses.

During 1968, GR&DC won a scientific award for introducing an automated sulphur monitor for use in refinery streams.

## Gulf Reston, Inc.

In 1964, Gulf became interested, as an investor, in a venture to build a new city in Fairfax County, Virginia, along unusual and imaginative lines of architecture and city planning which would provide a new and better way of life for, ultimately, some 70,000 to 80,000 residents. The town was called Reston.

In 1968, Reston had the busiest and most satisfactory year of its existence. Without any substantial alteration of the over-all plan construction of some 1,000 new residential units was completed or begun,



with an additional 1,200 programmed for 1969. Sales of residential units reached \$10,000,000, and were expected to double in 1969.

Reston's 1,000-acre center for light industry and government offices also continued to grow. Six new industrial buildings were completed and leases for space in

them were signed with 19 industrial, commercial or professional companies and individuals.

Reston's current target for construction calls for 1,000 residential units per year. At this rate, the town, which had a population of 5,000 in 1968, is expected to grow at a rate of 3,500 to 3,800 persons per year.



*Petroprotein pilot plant at Gulf's research center where scientists are working on a continuous process to grow yeast on selected petroleums to produce a product having all the necessary amino acids for proper nutrition and containing at least 50% protein—good lean beefsteak contains about 30%.*

## Consolidated Statements of Income and Earnings Retained in the Business

	Years Ended December 31	
	1968	1967
<b>INCOME</b>		
REVENUES:		
Sales and other operating revenues .....	\$5,595,660,000	\$5,109,597,000
Dividends, interest and other revenues .....	61,423,000	64,867,000
	<u>5,657,083,000</u>	<u>5,174,464,000</u>
DEDUCTIONS:		
Purchased crude oil, products and merchandise .....	1,356,083,000	1,286,611,000
Operating, selling and administrative expenses .....	1,647,160,000	1,475,522,000
Taxes on income and general taxes .....	1,555,561,000	1,431,627,000
Depreciation, depletion, amortization and retirements .....	420,258,000	367,746,000
Interest on long-term debt .....	49,367,000	29,823,000
Income applicable to minority interests in subsidiaries consolidated .....	2,335,000	14,788,000
	<u>5,030,764,000</u>	<u>4,606,117,000</u>
INCOME BEFORE EXTRAORDINARY ITEMS .....	626,319,000	568,347,000
Extraordinary items net of federal income taxes .....	—	9,940,000
NET INCOME .....	<u>\$ 626,319,000</u>	<u>\$ 578,287,000</u>
Per share of stock outstanding at end of year:*		
Income before extraordinary items .....	\$3.02	\$2.74
Extraordinary items, net of federal income taxes .....	—	.05
NET INCOME PER SHARE .....	<u>\$3.02</u>	<u>\$2.79</u>
<b>EARNINGS RETAINED IN THE BUSINESS</b>		
BALANCE AT BEGINNING OF YEAR .....	\$2,921,551,000	\$2,602,406,000
Net Income .....	626,319,000	578,287,000
	<u>3,547,870,000</u>	<u>3,180,693,000</u>
Cash dividends paid (\$1.40 and \$1.25 per share, respectively)* .....	290,626,000	259,142,000
BALANCE AT END OF YEAR** .....	<u>\$3,257,244,000</u>	<u>\$2,921,551,000</u>

\*After giving effect to the two-for-one stock split in 1968.

\*\*Excludes amounts transferred to capital. Approximately \$106,000,000 of consolidated retained earnings is restricted as to payment of dividends.

The notes on pages 27 to 29 are an integral part of the financial statements.



## Consolidated Statement of Financial Position

	December 31	
	1968	1967*
<b>ASSETS:</b>		
Current Assets:		
Cash .....	\$ 89,682,000	\$ 103,503,000
Marketable securities, at cost, approximating market value .....	599,027,000	349,153,000
Receivables, less allowance for doubtful accounts of \$13,494,000 and \$12,656,000, respectively .....	953,619,000	857,291,000
Inventories of crude oil, products and merchandise .....	481,823,000	456,966,000
Materials and supplies .....	80,000,000	70,864,000
Prepaid expenses .....	75,790,000	74,801,000
Total Current Assets .....	2,279,941,000	1,912,578,000
Investments and Long-Term Receivables:		
Associated companies (50% or less owned) .....	165,833,000	157,543,000
Other .....	371,333,000	318,557,000
Total Investments and Long-Term Receivables .....	537,166,000	476,100,000
Properties, Plants and Equipment, at cost, less accumulated depreciation, depletion and amortization .....	4,621,846,000	4,068,310,000
Deferred Charges .....	59,324,000	25,036,000
TOTAL ASSETS .....	\$7,498,277,000	\$6,482,024,000
<b>LIABILITIES:</b>		
Current Liabilities:		
Notes payable and current portion of long-term debt .....	\$ 92,190,000	\$ 165,658,000
Accounts payable and accrued liabilities .....	842,962,000	676,975,000
Accrued United States and foreign income taxes .....	160,419,000	187,306,000
Total Current Liabilities .....	1,095,571,000	1,029,939,000
Long-Term Debt .....	1,305,328,000	694,016,000
Deferred Income Taxes .....	35,685,000	27,164,000
Deferred Revenues .....	54,729,000	61,625,000
Other Long-Term Liabilities .....	43,233,000	41,869,000
Minority Interests in Subsidiaries Consolidated .....	212,940,000	215,347,000
TOTAL LIABILITIES .....	2,747,486,000	2,069,960,000
<b>SHAREHOLDERS' EQUITY:</b>		
Capital .....	1,493,547,000	1,490,513,000
Earnings Retained in the Business .....	3,257,244,000	2,921,551,000
TOTAL SHAREHOLDERS' EQUITY .....	4,750,791,000	4,412,064,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY ....	\$7,498,277,000	\$6,482,024,000

\*Reclassified for comparative purposes.

The notes on pages 27 to 29 are an integral part of the financial statements.

## Consolidated Statement of Source and Application of Funds

	Years Ended December 31	
	1968	1967*
<b>SOURCES:</b>		
Net income .....	\$ 626,319,000	\$ 578,287,000
Depreciation, depletion, amortization and retirements .....	420,258,000	367,746,000
Income applicable to minority interests.	2,335,000	14,788,000
Long-term borrowings, less retirements	647,230,000	90,701,000
Other sources—net .....	—	57,152,000
	<u>1,696,142,000</u>	<u>1,108,674,000</u>
<b>APPLICATIONS:</b>		
Properties, plants and equipment .....	1,064,499,000	771,739,000
Related business investments .....	24,026,000	93,113,000
Cash dividends to Gulf shareholders ...	290,626,000	259,142,000
Cash dividends by subsidiaries to minority shareholders .....	8,904,000	9,718,000
Acquisition of Gulf stock for corporate purposes .....	1,577,000	874,000
Other applications—net .....	4,779,000	—
	<u>1,394,411,000</u>	<u>1,134,586,000</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL .....</b>	<u>\$ 301,731,000</u>	<u>\$ (25,912,000)</u>

\*Reclassified for comparative purposes.



## Notes to Financial Statements

**Principles of Consolidation**

The consolidated financial statements include the accounts of Gulf Oil Corporation and all subsidiary companies.

Consolidated net assets related to operations in the Western Hemisphere amount to \$3,668,000,000 and in the Eastern Hemisphere to \$1,083,000,000. Consolidated net income includes amounts attributable to operations in the Western Hemisphere of \$492,000,000 and in the Eastern Hemisphere of \$134,000,000.

Balances and transactions in foreign currencies have been converted to United States dollars as follows: net current assets, long-term receivables and long-term debt—at rates current at end of period; long-term investments and properties, plants and equipment—at rates current on dates of acquisition; accumulated depreciation, depletion and amortization and related provisions against income—on the basis of dollar value of the related assets; and operating income and other expenses at average monthly rates.

**Inventories**

Inventories of crude oil, products and merchandise generally are valued at average cost applied on the "last-in, first-out" basis, which in the aggregate is lower than market value.

Certain subsidiaries in the Eastern Hemisphere value these inventories at the lower of moving average cost or market, and in Canada at the lower of average cost applied on the "first-in, first-out" basis, or market value. Materials and supplies generally are valued at cost or less depending on the condition of the items.

**Investments**

Investments and long-term receivables are stated at cost, less

allowance for losses of \$2,512,000 in 1968 and \$5,659,000 in 1967, except for the investments in 50% owned companies which are stated at Gulf's equity in these companies.

**Research and Development Expenditures**

It is the practice of the companies to charge research and development costs to income as incurred; however, Gulf General Atomic Incorporated, a wholly owned subsidiary acquired in October 1967, has deferred such costs relative to a substantial development program in the nuclear energy field. The development stage of this program will require an extended period of time and the total estimated costs are being amortized over the development period. After considering related deferred income taxes, \$7,700,000 has been deferred in the accounts at December 31, 1968.

**Extraordinary Items**

During 1967 the corporation realized a gain of \$25,142,000 on the sale of its investment in Transwestern Pipeline Company. In addition, a loss of \$11,300,000 was incurred as a result of devaluation of foreign currencies. After federal income taxes of \$3,902,000, these nonrecurring items resulted in a net credit to income of \$9,940,000 which is included in the income statement as extraordinary items.

**Commitments**

The companies have noncancellable tanker charters expiring at various dates to the year 1979 for which minimum rentals for 1969 are approximately \$34,000,000. The companies also have noncancellable leases for service stations, office space, tank cars and other property for which minimum rentals pay-

**Long-Term Debt****GULF OIL CORPORATION:**

	December 31	
	1968	1967
6½% sinking fund debentures due in 1993*	\$ 183,660,000	\$ —
5.35% sinking fund debentures due in 1991	100,000,000	100,000,000
5 to 5¼% notes payable 1969 through 1973	89,000,000	89,000,000
3% note payable 1969 through 1973	69,000,000	69,000,000
4½% notes payable in 1970	61,000,000	61,000,000
2½% note payable 1969 through 1972	34,000,000	40,000,000
4⅞% notes payable 1969 through 1982	24,500,000	26,250,000
Other obligations	23,549,000	25,856,000
	584,709,000	411,106,000

**CONSOLIDATED SUBSIDIARIES:**

United States dollars—3¾ to 7¼% payable 1969 through 1991**	380,911,000	163,920,000
German marks—5¾ to 6⅞% payable 1969 through 1983	135,035,000	25,035,000
Swiss francs—5 to 6¼% payable 1969 through 1982	92,206,000	14,748,000
Canadian dollars—3½ to 7% payable 1969 through 1988	91,982,000	49,019,000
Dutch guilders—6 to 7¼% payable 1969 through 1988	39,913,000	12,334,000
British pounds—4 to 6¾% payable 1969 through 1984	28,577,000	29,359,000
Other currencies	17,483,000	18,065,000
	1,370,816,000	723,586,000

INCLUDED IN CURRENT LIABILITIES	65,488,000	29,570,000
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LONG-TERM DEBT	\$1,305,328,000	\$694,016,000
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\*Balance of \$200,000,000 issued in January, 1969.

\*\*Largely borrowings outside United States.

able in 1969 are estimated at \$59,000,000. Rental income from all such properties subleased and chartered to others is estimated at \$46,000,000 for 1969.

The companies have commitments in the ordinary course of business for the acquisition or construction of properties, plants and equipment and for the purchase of materials, supplies and services which in the opinion of the officers are not significant in relation to the net assets of the companies.

#### Contingent Liabilities

The companies were contingently liable for guarantees of loans payable by associated companies, owners of service stations and others in the amount of \$104,000,000. The companies also have certain other contingent liabilities, including claims resulting from oil leakage in the Santa Barbara, California Channel. Officers of the corporation are of the opinion that adequate provision for these contingencies has been made in the accounts or through insurance and that no losses of any consequence will result.

#### Incentive Compensation Plan

Pursuant to the terms of the Plan, the provision for 1968 was \$13,710,000. To the extent that this amount is awarded to participants, part will be paid in cash or stock of the corporation in 1969 and the balance of the total amount awarded will be payable in cash or stock in annual installments in future years, subject to forfeiture provisions.

#### Pension Plans

The companies have various pension programs covering substantially all of their employees. During the year, the companies charged to income approximately \$27,000,000 for current and prior service pension costs. The companies' general policy is to fund pension costs as accrued. As of December 31, 1968 estimated unfunded prior service costs of the programs aggregated approximately \$134,000,000, which generally is being amortized over no more than 15 years.

Effective January 1, 1969 the corporation's principal pension programs have been amended to provide additional benefits

for those eligible. The additional prior service cost of these changes is estimated to be approximately \$22,000,000.

#### Properties, Plants and Equipment

Departments	December 31, 1968		Year 1968	
	Gross Investment at Cost	Accumulated Depreciation, etc.	Depreciation, etc. charged to income	Expenditures
(Thousands of Dollars)				
Exploration & Production ..	\$4,445,326	\$2,427,655	\$220,225	\$ 443,664
Transportation.	745,372	283,985	19,762	231,371
Refining .....	1,312,716	726,947	53,645	77,676
Chemicals .....	354,754	108,106	30,089	57,251
Marketing ....	1,630,902	533,230	78,589	219,988
Other .....	308,454	95,755	17,948	34,549
	<u>\$8,797,524</u>	<u>\$4,175,678</u>	<u>\$420,258</u>	<u>\$1,064,499</u>

Costs of undeveloped leases generally are amortized from date of acquisition, based on average holding period, and are transferred to producing properties if production is obtained; the costs of leases relinquished are charged to accumulated amortization. Exploration costs and costs of dry holes are charged currently to income. The provisions for depreciation and depletion of producing leases, lease and well equipment and intangible drilling costs represent charges per unit of production based on estimated recoverable oil and gas reserves.

Provisions for depreciation and amortization of properties other than those of the exploration and production departments are generally determined on the group method based on estimated remaining useful economic lives of groups of related properties, plants and equipment. Under this method rates are revised when a change in life expectancy becomes apparent. Maintenance and repairs are charged to income and renewals and betterments which extend the physical or economic life of the properties are capitalized.

Properties retired or otherwise disposed of are eliminated from the property accounts and the amounts, after adjustment

#### Capital Stock, Other Capital and Treasury Shares

	Capital Stock		Other Capital	Treasury Shares at Cost		Total Capital
	Number of Shares	Amount		Number of Shares	Amount	
Balance December 31, 1967 ..	211,675,920	\$881,983,000	\$706,105,000	(4,240,200)	\$(97,575,000)	\$1,490,513,000
Sale of stock to option holders	94,776	395,000	2,082,000	8,280	168,000	2,645,000
Other disposals (net) .....	—	—	—	67,990	389,000	389,000
Balance December 31, 1968 ..	<u>211,770,696</u>	<u>\$882,378,000</u>	<u>\$708,187,000</u>	<u>(4,163,930)</u>	<u>\$(97,018,000)</u>	<u>\$1,493,547,000</u>

The above share data has been adjusted to reflect the two-for-one stock split, approved by Shareholders on September 17, 1968, which increased the authorized shares from 150,000,000 par value \$8.33 1/2 to 300,000,000 shares of capital stock without par value. At December 31, 1968, there were 207,606,766 shares outstanding after deducting shares held in the treasury for corporate purposes.



for salvage and dismantling expenses, are charged to accumulated depreciation or depletion; only gains and losses on extraordinary retirements, retirements involving entire groups of properties and properties retired or otherwise disposed of by a Canadian subsidiary are taken to income.

#### Taxes on Income and General Taxes

	1968	1967
Consumer excise taxes .....	\$1,037,112,000	\$ 907,476,000
U. S. and foreign income taxes	369,045,000	377,681,000
Import duties .....	33,310,000	37,051,000
Other taxes .....	116,094,000	109,419,000
	<u>\$1,555,561,000</u>	<u>\$1,431,627,000</u>

It has been the practice of the corporation to include in the provision for U.S. income taxes the estimated future tax effect related to certain items which are recognized for book and tax purposes in different accounting periods. In 1968, as a result of the issuance of Opinion 11 by the Accounting Principles Board of the American Institute of Certified Public Accountants, the practice of interperiod tax allocation was extended to include recognition in the current period of the effect on U.S. and foreign income taxes of all significant timing differences in the determination of income and expense. The extension of the practice to these additional timing differences, including prior years', did not materially affect income in 1968.

The current income tax provision is reduced by the amount of the investment credit. The effect on income in 1968 and 1967 was not material.

#### Stock Options

During the year the shareholders approved the 1968 Stock Option Plan which replaces the 1951 Plan. Under the new Plan, 1,000,000 shares of Capital Stock are reserved for sale to officers and employees as provided in the Plan. A summary of changes for the year in shares reserved for sale under stock options is as follows:

	Reserved Shares		
	Under Option	Not Optioned	Total
(Adjusted for 2-for-1 stock split)			
Balance December 31, 1967..	634,948	199,238	834,186
Options granted: April 18, 1968 .....	197,800	(197,800)	—
Options exercised at prices ranging from \$13.53 to \$32.63 a share .....	(103,056)	—	(103,056)
Options expired .....	(1,962)	1,000	(962)
1951 Plan—terminated .....	—	(2,438)	(2,438)
1968 Plan .....	—	1,000,000	1,000,000
Balance December 31, 1968 ..	<u>727,730</u>	<u>1,000,000</u>	<u>1,727,730</u>

The balance of reserved shares under option at December 31, 1968 consisted of (a) 721,954 shares of unissued stock reserved for options at prices ranging from \$13.53 to \$36.66 a share (fair market values at dates granted) which are exercisable after one year from date granted and expire periodically to April 18, 1978 and (b) 5,776 shares of treasury stock reserved for assumed obligations for options at a price of \$15.37 a share, which are presently exercisable and expire unless exercised prior to October 23, 1969.

## Opinion of Independent Accountants

### PRICE WATERHOUSE & CO.

TWO GATEWAY CENTER  
PITTSBURGH 15222

February 25, 1969

To the Shareholders and Board of  
Directors of Gulf Oil Corporation

In our opinion, the accompanying statement of financial position, the related statements of income and earnings retained in the business and the statement of source and application of funds present fairly the consolidated financial position of Gulf Oil Corporation and its subsidiaries at December 31, 1968, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of Gulf Oil Canada Limited (formerly The British American Oil Company Limited) and its subsidiaries; our opinion, insofar as it relates to the amounts included for these companies, is based upon the report of other independent accountants.

*Price Waterhouse Co.*



## Five Year Financial Summary

	1968	1967	1966	1965	1964
	(Dollar amounts in thousands)				
Sales and other operating revenues (including consumer excise taxes) . . .	\$5,595,660	\$5,109,597	\$4,655,983	\$4,185,253	\$3,803,682
Income before extraordinary items . . . . .	\$ 626,319	\$ 568,347	\$ 504,762	\$ 427,233	\$ 395,118
Per share* . . . . .	\$3.02	\$2.74	\$2.44	\$2.06	\$1.91
Per dollar of sales and other operating revenues . . . . .	11.2¢	11.1¢	10.8¢	10.2¢	10.4¢
Net income . . . . .	\$ 626,319	\$ 578,287	\$ 504,762	\$ 427,233	\$ 395,118
Per share* . . . . .	\$3.02	\$2.79	\$2.44	\$2.06	\$1.91
Per dollar of sales and other operating revenues . . . . .	11.2¢	11.3¢	10.8¢	10.2¢	10.4¢
Cash dividends paid . . . . .	\$ 290,626	\$ 259,142	\$ 217,583	\$ 191,723	\$ 176,703
Per share (after stock split) . . . . .	\$1.40	\$1.25	\$1.05	\$.925	\$.85
Financial condition at year end					
Total assets** . . . . .	\$7,498,277	\$6,482,024	\$5,908,267	\$5,229,278	\$4,680,737
Working capital (current assets less current liabilities)** . . . . .	\$1,184,370	\$ 882,639	\$ 908,551	\$ 701,767	\$ 670,520
Ratio of current assets to current liabilities** . . . . .	2.08	1.86	2.04	1.89	2.11
Long-term debt (includes portion in current liabilities). . . . .	\$1,370,816	\$ 723,586	\$ 632,885	\$ 423,930	\$ 281,333
Employed capital (shareholders' equity, long-term debt, minority interests, deferred revenues) . . . . .	\$6,389,276	\$5,412,622	\$5,004,876	\$4,436,358	\$4,057,642
Shareholders' equity . . . . .	\$4,750,791	\$4,412,064	\$4,088,558	\$3,818,502	\$3,590,781
Per share* . . . . .	\$22.88	\$21.27	\$19.73	\$18.43	\$17.32
Properties, plants and equipment—gross . . . . .	\$8,797,524	\$7,900,248	\$7,328,389	\$6,844,250	\$6,142,897
Properties, plants and equipment—net . . . . .	\$4,621,846	\$4,068,310	\$3,723,196	\$3,438,579	\$2,947,796
Expenditures for plants and related business investments . . . . .	\$1,088,525	\$ 864,852	\$ 715,330	\$ 594,514	\$ 579,135
Depreciation, depletion, amortization and retirements . . . . .	\$ 420,258	\$ 367,746	\$ 328,398	\$ 306,091	\$ 266,465
Exploration expense including dry holes . . . . .	\$ 109,550	\$ 106,244	\$ 101,030	\$ 91,203	\$ 70,147
General taxes and import duties . . . . .	\$ 149,404	\$ 146,470	\$ 129,105	\$ 120,840	\$ 87,325
Income taxes . . . . .	369,045	377,681	309,107	228,494	212,225
Consumer excise taxes . . . . .	1,037,112	907,476	874,146	800,512	629,350
Total taxes . . . . .	\$1,555,561	\$1,431,627	\$1,312,358	\$1,149,846	\$ 928,900
Shareholders at year end . . . . .	171,661	163,450	162,031	159,082	158,177
Shares outstanding at year end (in thousands) * . . . . .	207,607	207,436	207,216	207,178	207,370
Wages, salaries and employee benefits . . . . .	\$ 500,299	\$ 456,341	\$ 419,295	\$ 388,143	\$ 352,088
Employees at year end . . . . .	60,300	58,300	55,600	55,200	54,200
Employed capital per employee (actual) . . . . .	\$ 105,958	\$ 92,841	\$ 90,016	\$ 80,369	\$ 74,864

The year 1965 is the first to include financial data for marketing, refining and transportation companies operating in the Eastern Hemisphere.

\*Based on shares outstanding at the end of each year after giving effect to the two-for-one stock split in 1968.

\*\*Restated for comparative purposes.

A financial and statistical supplement to the 1968 Annual Report is available to shareholders. Copies may be obtained by writing to Russell G. Connolly, Vice President and Secretary, Gulf Oil Corporation, P.O. Box 1166, Pittsburgh, Pennsylvania 15230.





## Five Year Operating Summary

	1968	1967	1966	1965	1964
<hr/>					
Net crude oil, condensate and natural gas liquids produced—daily average barrels					
United States .....	598,800	575,700	519,700	482,700	453,900
Canada .....	80,100	74,100	67,500	64,100	61,500
Other Western Hemisphere .....	191,800	201,600	159,300	162,400	161,400
Eastern Hemisphere .....	<u>1,674,000</u>	<u>1,523,300</u>	<u>1,486,800</u>	<u>1,393,600</u>	<u>1,277,700</u>
Net crude oil, condensate and natural gas liquids produced.	2,544,700	2,374,700	2,233,300	2,102,800	1,954,500
<hr/>					
Net natural gas produced—thousand cubic feet per day					
United States .....	2,367,000	2,151,800	1,876,400	1,661,500	1,495,100
Canada .....	315,000	283,100	269,700	270,300	253,800
Other Western Hemisphere .....	87,400	89,700	86,100	73,700	60,700
Eastern Hemisphere .....	<u>225,000</u>	<u>163,400</u>	<u>134,400</u>	<u>86,900</u>	<u>78,900</u>
Net natural gas produced .....	2,994,400	2,688,000	2,366,600	2,092,400	1,888,500
<hr/>					
Gross wells drilled during the year (A) .....	1,470	1,242	1,253	1,358	1,604
Net wells drilled during the year (B) .....	1,045	841	862	966	1,134
<hr/>					
Crude oil processed—daily average barrels (C)					
United States .....	687,200	673,000	642,700	608,500	578,400
Canada .....	194,900	191,400	182,300	156,600	152,700
Other Western Hemisphere (including Puerto Rico) .....	175,800	191,500	183,200	180,500	176,900
Eastern Hemisphere .....	<u>336,300</u>	<u>330,700</u>	<u>315,200</u>	<u>290,400</u>	<u>242,000</u>
Crude oil processed .....	1,394,200	1,386,600	1,323,400	1,236,000	1,150,000
<hr/>					
Refined products sold—daily average barrels					
United States .....	786,600	740,100	707,400	658,300	620,500
Canada .....	184,800	193,500	176,100	161,500	154,000
Other Western Hemisphere (including Puerto Rico) .....	80,500	68,300	71,800	69,400	75,400
Eastern Hemisphere .....	<u>344,400</u>	<u>327,400</u>	<u>297,600</u>	<u>275,800</u>	<u>243,800</u>
Refined products sold .....	1,396,300	1,329,300	1,252,900	1,165,000	1,093,700
<hr/>					
Coal mined—daily average tons .....	25,300	24,600	24,200	22,400	19,300
<hr/>					
Chemicals sold—daily average tons					
United States .....	8,500	6,900	7,600	6,700	6,500
Canada .....	1,100	1,200	1,300	1,300	1,400
Other Western Hemisphere .....	300	100	—	—	—
Eastern Hemisphere .....	<u>200</u>	<u>200</u>	<u>100</u>	<u>—</u>	<u>—</u>
Chemicals sold .....	10,100	8,400	9,000	8,000	7,900
<hr/>					

Operating data include 100% of volumes of all subsidiaries consolidated (more than 50% owned).

(A) Gross wells drilled represent the total number of wells in which all or a part of the working interest is owned by the company.

(B) Net wells drilled represent only that part of the working interest applicable to the company (i.e., the sum of all fractional interests).

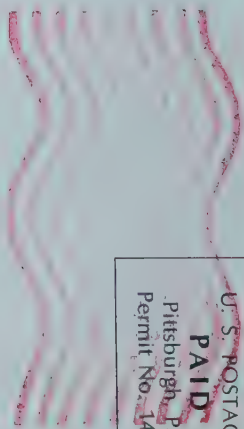
(C) Crude oil processed includes portion processed by outsiders for Gulf's account.

*More than \$90,000,000 for lodging, food and services was charged at Holiday Inns of America by Gulf Travel Card holders during 1968. The alliance between the two companies provides that Gulf has "first rights" to each service station site at new Holiday Inn locations. To date, some 500 such stations have been opened; another 100 are in the planning stages. The complex pictured here is at Austin, Texas.*





GULF OIL CORPORATION  
GULF BUILDING, PITTSBURGH, PA. 15230



BULK RATE  
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AR39



The Orange Disc/May June 1968











**This is  
British  
American**





## The Orange Disc

May-June, 1968 □ Volume 18, Number 6 □ The Magazine of The Gulf Companies □ Published Bimonthly for Shareholders and Employees □ James R. Mooney, Manager, Publications Division □ Robert D. Langenkamp, Editor □ Gulf Building, Pittsburgh, Pa. 15230.

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Our cover is a collage of representative scenes of operations of The British American Oil Company (Gulf's Canadian affiliate) from its exploration work in the Northwest Territories to the scientific pursuits of the company's research center.





**This is  
British  
American**



In 1906, a small company was organized in Toronto, Ontario, to sell the fastest moving petroleum products of the day—kerosene, lubricating oil, and axle grease.

The advent of the new enterprise, The British American Oil Company Limited, was all but overlooked by the newspapers—possibly because of more dramatic events and happenings that year such as the San Francisco earthquake, the opening of the first “penny-in-the-slot” movie theater, and the stir being made by the “noisy and undependable contraption,” the horseless carriage.

Noticed or not, the young company persevered and prospered. Now, after 62 years, the B-A sign has become a familiar sight to Canadians and millions of U.S. visitors from across the border. From a fledgling two-man company with no oil production, no pipelines, no refineries, no service stations and, according to some opinion in those days, no future, British American has grown into a fully integrated corporation with gross sales, in 1967, of \$719 million. It is the Canadian member of Gulf’s worldwide family of companies.

As the second largest oil company in Canada, well endowed with both oil and gas reserves, B-A has net daily production of 74,000 barrels of crude oil and natural gas liquids and 283 million cubic feet of gas a day from reserves that may be the largest in the country. It has nine regional refineries with a total daily throughput capacity of 193,000 barrels per day. And at Point Tupper, Nova Scotia, a \$50 million, 60,000-barrel-a-day refinery and petrochemicals complex is planned to serve the Atlantic Provinces and Quebec. B-A has several hundred miles of wholly owned pipelines and is a shareholder in several pipeline companies. It is represented coast-to-coast by 8,500 service stations, farm centers, and other outlets in all of Canada’s 10 provinces and two northern territories.

Through its substantial investments in petrochemicals and plastics manufacturing in the past six years, B-A has achieved an important position in this rapidly growing industry. The company’s largest affiliate is Shawinigan Chemicals Limited, with eight plants in five Quebec centers. The largest of these plants is the petrochemicals complex at Varennes, across the St. Lawrence River southeast of B-A’s Montreal East refinery, which supplies the feedstock for the big plant.

Other wholly or partially owned affiliates acquired since 1956 in the company’s program to diversify and expand its operations are Superior Propane Limited, Eastern Canada’s largest propane distributor, which recently extended its operations into Western Canada; Western Tire and Auto Supply Limited, which has a dozen major automotive service centers and a chain of more than 100 associated automotive retail stores in Ontario, Quebec, and the Atlantic Provinces; Royalite Oil Company, an integrated oil company in Western Canada that operates under its

own emblem through 1,300 outlets from Manitoba to the Pacific Coast; Vancouver-based Cansulex (owned 47 percent), which handles overseas sales of sulfur from Alberta; and Canadian Helium (one-third interest) with a plant in Saskatchewan capable of producing 36 million cubic feet of helium a year—the only Free World source of the rare gas outside the United States. These affiliates and joint-interest operations, which are becoming ever more closely integrated and aligned with B-A’s overall operations, accounted for about one-fifth of B-A’s net profits in the past two years and are expected to make even larger contributions in the years ahead.

Historically, for the first 50 years, B-A had relied for most of its income on manufacturing and marketing, depending largely upon outside sources for its crude oil stocks. But with the development of major reserves in Western Canada after World War II and a decline in the rate of return from investment in refining and marketing activities, B-A felt the competitive need to develop Canadian production as a source of income and to provide crude oil for the company’s growing refineries. The problem was how to acquire the necessary reserves of petroleum short of a long-term program of lease acquisition and exploration with their large outlays of capital.

To resolve this problem, a matter vital to the future of B-A, and one whose solution would set a new course for the company, a much-discussed decision was arrived at in 1956. B-A exchanged a large block of restricted common stock to Gulf Oil Corporation for its Canadian Gulf Oil Company production, producing facilities, and all other assets, leases and pipelines. The transaction gave Gulf a 57 percent interest in B-A (which has subsequently been increased to 68 percent). It increased B-A’s Canadian production seven-fold and its gas reserves many times. In the ensuing 12 years, income from crude production and natural gas has made possible the acquisitions and diversification that have established a sound basis for future progress and improved earnings.

British American’s growth from a “sample-case company” that began peddling kerosene and axle grease door-to-door to a corporation with assets of more than \$850 million is especially notable when compared to other oil companies that began as crude oil producers. Nowhere along B-A’s trail did it have what might be called a major oil strike or benefit from “flush production”; it had no Spindletop, no East Texas, no Seminole, no Scurry County to give it a spectacular boost early in its career. It has been said that an old fashioned oil boom with its clamorous disorder, its fast pace, and its risks would have been distressing to the conservative founder, A. L. Ellsworth, who feared that he might someday lose control of his company to American investors. Ironically, it was Ellsworth who later brought W. K. Whiteford up from the company’s U.S. sub-





Exploration and drilling activities near Fort McPherson in Canada's Northwest Territories require the use of dog sleds, "snow-cats," and helicopters. (facing page) An Eskimo member of a seismograph crew plants a geophone in preparation for a seismic shot. (below) B-A's discovery well opened the North Zama Lake area in northwestern Alberta.





sidiary, an American who would "take over" the company and would overhaul the management structure, setting the stage for a period of growth unlike any it had experienced before.

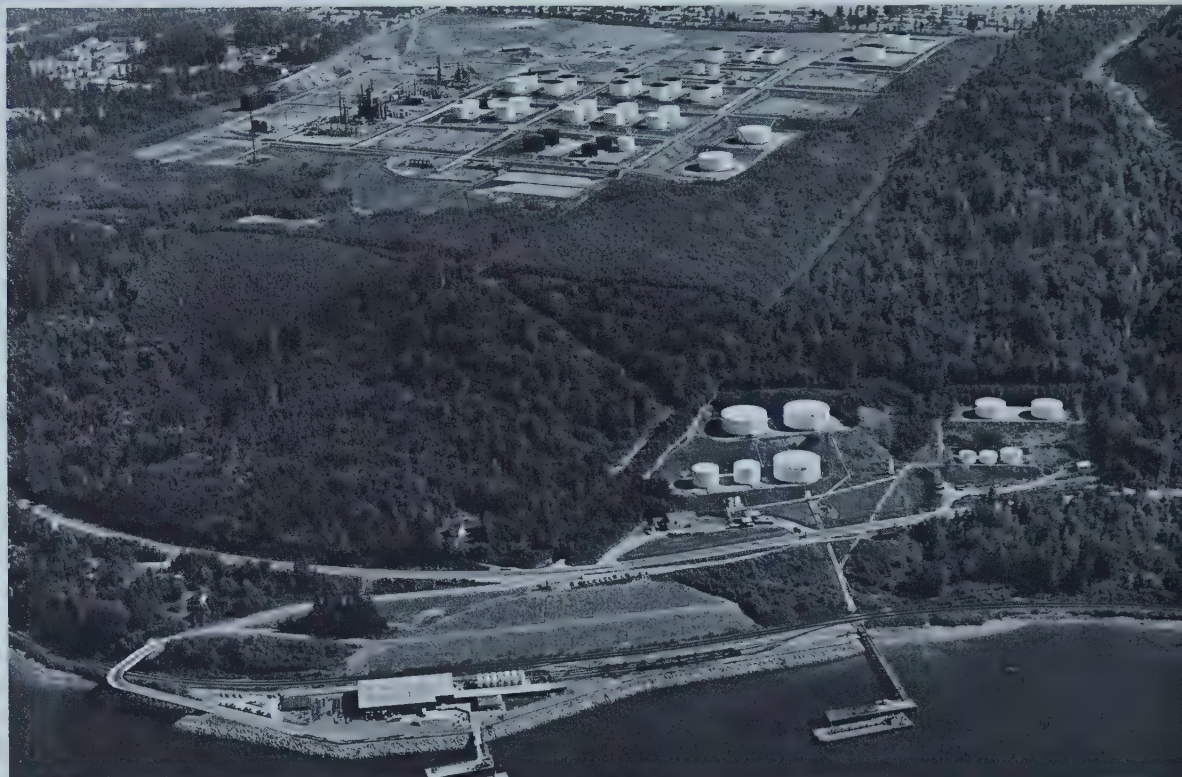
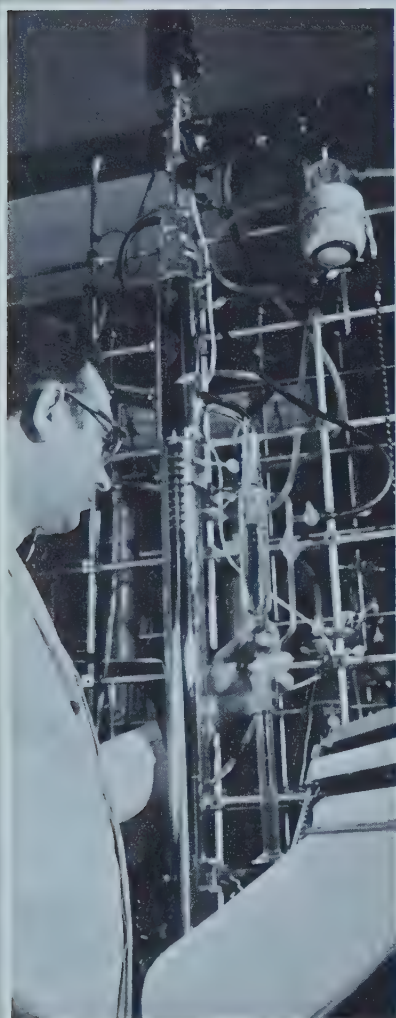
A. L. Ellsworth was born in Welland, Ontario, in the Niagara Peninsula, in 1876. As a young man, he left his native Canada, but only to cross Lake Ontario to take a job at a refinery in nearby Buffalo as a clerk in the statistical department. After a few years he had worked up to managing the cost accounting department which proved to be an important step toward his later career. From this vantage point he could visualize what he thought to be an almost limitless future for the oil business. Despite the onrush of electricity, which

for many new ventures. The country was in a state of dramatic expansion, a period of development that was part of what has come to be known as "Canada's Century." Railroads were being pushed west across the almost uninhabited prairies and on into the high country of British Columbia; canals and roads were being built in the East; and thousands of European immigrants were arriving each month seeking new land and jobs in a country larger than the United States, with a population of scarcely more than four million. But to start an oil company in Canada, virtually within the shadow of the vigorous new industry just across the border in the U.S., was considered too much of a risk by most investors who thought of oil's potential

Under the authority of "Edward VII, by the Grace of God of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas, King, Defender of the Faith, Emperor of India," The British American Oil Company Limited began peddling its products door to door.

By the end of the following year, eight shareholders had invested a total of \$135,000, and B-A began planning for expansion, not only in marketing but also in manufacturing.

The company's first refinery, and the third in Canada, was built on three acres of land bordering Lake Ontario, in a then-remote, rundown section of east Toronto. This modest entry into manufacturing gave the owners a great psychological boost, a



(left) B-A's Research and Development Center, 20 miles west of Toronto, is a laboratory complex for advanced work on new and improved products and process studies. (above) The Port Moody Refinery, near Vancouver, British Columbia, is currently undergoing a 50 percent expansion.

was rapidly replacing kerosene lamps, and the undisputed dominance of coal in the fields of heating and industrial power generation, Ellsworth was convinced that petroleum's vast potential had barely been tapped. In Detroit, across the river from Windsor, Ontario, there was a man named Henry Ford who had begun turning out automobiles on an assembly line; and in Canada there were already nearly 1,000 cars and more than 300 trucks using grease, engine oil and gasoline.

With his dream of the new era in transportation and the part oil would play in it, Ellsworth, aged 30, returned to Toronto with a few thousand dollars of savings, bent upon starting his own company.

Nineteen hundred six was a good year

only in terms of kerosene and grease.

The first man Ellsworth interested in starting an oil business was Silas R. Parsons, known and respected in financial circles, first president of the Canadian Manufacturers Association, and active in Toronto civic affairs. It was S. R. Parsons who was to supply the necessary stability as well as much-needed financial support for the new company that commenced operations in a small office at the corner of King and Yonge Streets, Toronto. S. R. Parsons was the first President, serving until 1927. A. L. Ellsworth was Secretary-Treasurer until he succeeded his partner.

The Province of Ontario Charter, dated October 17, 1906, which set up the new company, was an impressive document.

sense of progress, except that they had no cash to pay their oil supplier, Henry Suhr of Oil City, Pennsylvania, and were getting deeper into debt. Parsons and Ellsworth persuaded Mr. Suhr and an associate, Mr. McSweeney, to accept B-A stock as collateral for the money the company owed them. The debt continued to mount until the day arrived when enough stock had been pledged to the two men to give them a controlling interest in the company. Mr. Suhr and Mr. McSweeney didn't take control, but Mr. Suhr did become a B-A Director. His son, C. L. Suhr, also became a Director, and served for more than 50 years. He is now Director Emeritus.

In an effort to expand its markets, the company, in 1909, applied for and was



granted a Dominion Charter, enabling it to enter the Province of Quebec and its prospects began to improve slowly.

After securing the Dominion Charter, the first regular meeting of the Board of Directors was held July 7, 1909. Present were S. R. Parsons, C. A. Birge, W. A. Manion, J. S. Mills, W. J. Hohlstein, A. L. Ellsworth, Henry Suhr, and C. L. Suhr.

From this period through the First World War, B-A enlarged its sales territory in both Ontario and Quebec Provinces, and established its reputation for quality products.

With the end of World War I, the great migration of people to the Western provinces (Alberta and Saskatchewan had become provinces in 1905) that had been under way for more than a decade con-

its own crude oil production. As Canada's major era of Western oil development was still years in the future (Leduc, Redwater, 1947-48) the search for crude centered in the United States. In 1925, B-A took a decisive step south into the heart of U.S. oil country by organizing The British-American Oil Producing Company.

The subsidiary began operations with a few small wells in Oklahoma. Six years later, in 1931, it got a toehold in the prolific East Texas oil field which increased its production manyfold. Meanwhile, leases were being acquired in Kansas, Montana, Colorado, and new leases in Oklahoma, notably in the Oklahoma City field that developed as one of the state's richest oil finds. (In 1943, BAOP opened the Steam-

Lawrence and into the Maritimes, and west to Canadian terminals on the Great Lakes.

Despite the crippling effects of the Depression that caused many a company to flounder, B-A managed to acquire a number of strategically located refineries, small plants that it bought and modernized or replaced entirely. One was at Moose Jaw, Saskatchewan, another at Coutts, Alberta. In 1936, B-A's first gas absorption plant was built and went on stream processing the "wet gas" from the Turner Valley field. That same year the company made its first venture into the Turner Valley oil field. With crude production near at hand, Calgary Refinery was built and went on stream, processing 4,500 barrels a day.

With small, sure steps, B-A was expand-



(left) Clouds of water vapor condensing in 40° below zero weather at B-A's Edmonton, Alberta, Refinery. (above) What might appear to be a gossamer spider web is in reality roof struts of a storage tank, as seen from below.

tinued. And in the westward movement of thousands of settlers looking for jobs and free land went shopkeepers and small businesses, including British American.

In 1920, B-A purchased Winnipeg Oil Company which, with its 115 outlets, extended the company's operations into the three Prairie Provinces, Manitoba, Saskatchewan, and Alberta. Although the vast area into which B-A reached was still sparsely populated, its sales volumes there and back east moved slowly upward until the company in 1926 attained second place in the country's petroleum industry, a position it still holds.

To hold its position in a growing industry, B-A needed additional refining capacity, but even more urgently it needed

boat Butte field, 125 miles west of Casper, Wyoming, that has produced 60 million barrels in the past 24 years.)

The stock market crash in 1929, disastrous though it was, did not upset B-A's plans for a refinery in Montreal to serve the big Quebec market. The new plant, with access to Atlantic shipping via the St. Lawrence River, could be supplied by tanker from the southern U.S. fields, as well as from South America.

In 1931, the Montreal East Refinery went on stream processing crude from Venezuela brought up the river by leased tanker. In the next two years five lake tankers were delivered to B-A from British shipyards, and the company had a fleet of its own to move finished products east along the St.

ing its marketing areas and acquiring refining facilities to cut the cost of moving product over long distances. The company's gross sales in 1939 amounted to \$27.5 million; its U.S. subsidiary had extended operations into five states and boosted total crude production to 10,000 barrels a day; crude reserves amounted to 21 million barrels. With the beginning of the conflict in Europe, Canada followed Britain in declaring war on the Axis countries and geared its refinery production to turning out fuel for the war. B-A planned and built its 8,500-barrel-a-day refinery at Clarkson, 25 miles west of Toronto to produce lubricating oils as well as various gasolines and fuels.

In Western Canada, B-A took on the job



of supplying fuel to work crews stretched out along 1,600 miles of wilderness trail during construction of the Alcan Highway. The company set 100 large storage tanks along the route and operated 350 trucks to haul supplies in from the railhead.

The end of World War II brought with it changes in marketing patterns, new refining technologies, and advances in the field of petrochemicals. And along with these were the inevitable shifts in management.

At British American, W. K. Whiteford, who had served his apprenticeship in BAOP, was President, and had succeeded in making what were then considered radical changes in the deployment of management authority and responsibility. Whereas, formerly, the management of B-A's operations were closely held by a relative handful of people at the top, the new concept of "decentralization" spread the authority and responsibility for many matters to department heads, and even to the field.



This realignment worked well. It gave the company a kind of flexibility that it had not exhibited before, enabling it to move, to adjust more readily to changing situations. During the decade of the middle 40's and 50's, B-A extended its operations to British Columbia and the Pacific Coast with the purchase of Union Oil of Canada. On the other side of the continent, B-A's products were being distributed in Newfoundland, which joined Canada as the tenth province in 1949.

Matching the expansion in Canada were the activities of BAOP in the United States. Production had gradually extended into 13 states, from Louisiana to California, Texas to Montana and, by 1965, the company had nearly 700 net oil and gas wells capable of production. Actual production in the last full year before the company was sold averaged 23,000 barrels per day of crude oil and natural gas liquids and 79 million cubic feet daily of natural gas.

But what was more significant were the oil discoveries at Leduc and Redwater in the Province of Alberta and the success of Canadian Gulf Oil in finding and de-

veloping reserves. For with the subsequent acquisition of Canadian Gulf's production, together with all leases and producing facilities, B-A emerged with a strong position in both crude oil and natural gas. Its lease holdings in Western Canada were increased from one million to 11 million acres; its crude production (excluding gas liquids) jumped from 4,000 barrels to more than 30,000 a day; and its natural gas reserves became the largest in Canada.

Several years prior to this dramatic change of direction for the company, Albert Leroy Ellsworth, founder of British American, died in 1950 at the age of 75.

Following the death of Mr. Ellsworth, W. K. Whiteford became Chairman of the Board as well as President. But two months later, he resigned to accept a position with Gulf Oil Corporation in Pittsburgh, as an Executive Vice-President.

Ole Berg, Jr., formerly B-A Vice-President of Marketing, was named President of British American and served from 1951 to 1955. Mr. Berg was succeeded by the late M. S. Beringer, who had been Vice-President of Manufacturing since 1943.

The first President of Gulf's Canadian affiliate to have served with the parent Company in the U.S. and in South America was E. D. Brockett, who came to B-A in 1958 succeeding Mr. Beringer. Mr. Brockett's tenure was short, however, as he was called to Pittsburgh as Executive Vice-President in 1959. (He became President of Gulf in 1960; was appointed Chairman of the Board, November, 1965.)

B-A's seventh President was E. D. Loughney, the second man to head the affiliate with a background of years of service in Gulf's production operations. After serving until 1964, Mr. Loughney was called to the Pittsburgh Executive Office as Senior Vice-President, to be succeeded as B-A President by Charles Hay, who was formerly president of Royalite Oil.

During the period defined by the administrative tenure of these B-A Presidents, the company made rapid strides in the modernization and expansion of facilities, the construction of new plants, and in acquisition and diversification.

For example, B-A built several gas processing plants in Alberta and participated in many others, becoming the largest supplier of gas to Trans-Canada Pipe Lines Limited, a major transmission system that delivers gas to Eastern Canadian markets. Today, B-A has raw gas processing capacity of 720 million cubic feet per day from four wholly owned plants; three joint-interest plants operated by B-A, including one of Canada's largest plants at Rimbey that processes 422 million cubic feet per day; and approximately 20 partner-operated plants in which B-A has share interests. B-A sulfur produced from these plants averaged in excess of 400 long tons per day in 1967.

An example of an efficient and profitable integration of two technologies—refining

and basic chemicals manufacturing—was the joint interest operations of B-A and Shawinigan Chemicals Limited, a long-established company making calcium carbide and acetylene through a process using coke and limestone. In 1951, the two companies formed B.A.-Shawinigan and built a plant adjacent to B-A's Montreal East refinery to make phenol and acetone from cumene, a petroleum derivative. (Shawinigan had secured the Canadian rights to the process; B-A provided the cumene.)

In 1961, B-A acquired a 25 percent interest in Shawinigan Chemicals, which at the time was in the process of building a \$20 million plant at Varennes, southeast of Montreal, to produce ethylene and acetaldehyde with feedstocks from B-A's Mont-

(left to right) A pattern made by manifold piping; Clarkson Refinery, west of Toronto, loads tankers at its Lake Ontario pier; tank cars loaded with propane are moved to the West Coast for transshipment overseas. (below) A tank truck at Expo '67 displays B-A's new colors.



real East refinery. Before the big chemicals complex was completed and on stream, B-A increased its holdings in Shawinigan to 66-2/3 percent (now 100 percent). Another major expansion in ethylene production at Varennes was begun in 1965. The new units, together with other additions to the complex, will cost \$30 million when completed in 1968 and will place B-A's subsidiary, Shawinigan Chemicals Limited, among the largest ethylene producers in the world. And at Shawinigan's Montreal East plant, cumene facilities are being doubled to 100 million pounds a year.

Shawinigan's product line includes 42 basic chemicals, 11 inorganic chemicals, 9 resins and plastics, and 12 lines of plas-



tic products—coated papers, tapes, sheets, and bristles. One of the world leaders in vinyl plastic technology, Shawinigan has developed substantial export markets that accounted for \$15 million in sales in 1967.

A \$10 million investment in petrochemical facilities at B-A's Montreal East Refinery includes the only Canadian source of cyclohexane, the basic ingredient for nylon. Phenol, acetone, benzene, and toluene used in the manufacture of plastics, explosives, industrial solvents and other chemical compounds are also produced.

This determined and forward looking diversification-integration by B-A has improved its earnings potential by increasing its net return per barrel of crude in the area of chemicals manufacture that prom-

areas where B-A planned to expand its share of the market.

Shortly afterward, Royalite, Anglo-Canadian and Purity 99 were combined under the Royalite name, with a new symbol to identify the new company and its 1,300 marketing outlets. B-A took over responsibility for operating Royalite's producing properties and three small refineries at Kamloops, British Columbia; Saskatoon, Saskatchewan; and Brandon, Manitoba.

These additions gave B-A a total of nine refineries which were all operating at or near capacity last year. B-A now is planning a major refinery modernization and construction program over the next few years, with a three-fold aim: (1) to provide increased capacity to meet market

transportation. Such a plant is the proposed new refinery for Point Tupper, Nova Scotia, which could form the nucleus for related petrochemical developments on Cape Breton Island. One of B-A's principal customers in this developing industrial area is Nova Scotia Power Commission with which the company has a long-term contract to supply residual fuel. In addition to the industrial market in the area, the proposed refinery would supply B-A's markets in the Atlantic Provinces and Eastern Quebec.

Quebec, the heartland of French Canada, is an important and sensitive market, accounting for approximately one-third of Canada's population and about one-quarter of petroleum consumption. In recent



ises continued growth for the future.

On the western outskirts of Montreal at Ste. Anne de Bellevue, Shawinigan Chemicals opened a new multi-million dollar Research and Technical Service Center in 1965. The new center, which is concentrating on the development and application of plastics, complements B-A's own versatile Research and Development Center, opened in 1964 as the first member in the Sheridan Park Research Community, 20 miles west of Toronto.

Acquisitions that increased B-A's marketing strength in Western Canada were Anglo-Canadian Oils Ltd., Purity 99 Oil Ltd., and Royalite Oil Company, Limited, companies with established outlets in

growth; (2) to reduce operating costs by establishing larger, more efficient plants; and (3) to provide a base for further petrochemical expansion.

The need to build more efficient-sized refineries and to retire uneconomic plants emphasizes a basic problem that is endemic to all integrated operations in Canada, the problem of scale. How is a company to achieve the economies of large-scale operations in a market of only 20 million people and that market made even thinner by being spread 3,000 miles across a continent? Part of the solution for B-A lies in construction of intermediate-sized plants strategically located and tied in with economical pipeline or water

years, French-speaking Canadians have been giving increasing expression to their desire to become "masters in their own house," and a segment of the Quebec population called "separatists" have even advocated secession from Canada. More moderate Quebecers, including the present provincial government, favor special status for Quebec within the Canadian nation.

A recent joint meeting between the Federal and Provincial governments will lead to reconsideration of the Canadian constitution and possibly a new bill of rights for all Canadians and other provisions to accommodate the aspirations of Quebec and French-speaking citizens in other provinces.





(top, left) One of the company's 16 new Wayfare Restaurant-service station complexes found on principal highways. (top, right) A B-A tank truck is shown refueling a plane at Edmonton, Alberta, airport. (above) Royalite, one of four major affiliates in Canada, has 1,300 outlets in the Western provinces.

(left) The grouse, and the caribou and skunk on preceding pages are the work of Thor Hansen, B-A artist, whose Canadiana designs were exhibited at Expo '67 in Montreal, and now decorate many company offices.



British American has enjoyed a strong position in the Quebec market since entering the province in 1909. Today, more than 20 percent of B-A's total investment is in Quebec, including a major refinery and all Shawinigan Chemicals plants; and the company has been taking steps to ensure that B-A and its affiliates will continue to be considered good citizens in the province. The company now has a Montreal-based vice president, and recently held a very successful meeting with leading citizens in the province to make clear B-A's intentions and seek future guidelines.

One of the prime considerations in selecting Point Tupper, Nova Scotia, as the site for an east coast refinery is its ideal location in relation to deep-draft ocean shipping. Point Tupper is on the Strait of Canso, a mooring that will accommodate the largest crude oil tankers in the world—the 312,000 deadweight-ton ships being built for Gulf in Japan.

In December, 1967, British American announced that it would proceed in 1968 with a 50 percent expansion of crude oil processing capacity at its Port Moody, B. C., refinery, which was opened in 1958 with initial capacity of 20,000 barrels per day. President Charles Hay said the expansion was "necessitated by growing product demands resulting from British Columbia's soaring population and industrial, commercial, and recreational development."

After the acquisition of Canadian Gulf's production, which provided a domestic source of crude oil for B-A refineries as far east as Ontario, the company's U.S. production ceased to have the importance it had at the outset. Confronted with rising exploration, drilling, and production costs, B-A sold BAOP, its U.S. producing subsidiary, to the Chared Corporation, a non-profit, charitable organization in Dallas, Texas, for \$182 million (U.S.).

Subsequent to this sale, the assets of BAOP, with certain exceptions, were acquired by Gulf. The operations of BAOP were then merged with Gulf's U. S. exploration and production activities.

Industry crude oil production in Canada currently is over one million barrels per day, but it could be more than doubled if there were sufficient markets. Even with producing wells prorated, B-A, along with many other operators in Canada, is actively leasing government-owned Crown lands, prospecting and wildcatting in order to build reserves.

A promising aspect of B-A's future outlook is its strong land position in the Rainbow-Zama region of northwestern Alberta. With more than 650,000 acres within a 50-mile radius of the Rainbow field and a total of 1.7 million acres in the Rainbow-Zama area, B-A has a larger land spread there than any other company.

Other new prospective areas in which B-A holds exploratory blocks totalling nearly 9 million acres are: the Mackenzie Delta and the Beaufort Sea in the Arctic, the Strait of Georgia off British Columbia, and

the Pierre Bank off the Atlantic coast.

B-A also holds an interest in one of the proposed Athabasca Tar Sands projects. The tar sands are such a fabulously rich deposit of hydrocarbons that estimates of the eventual recovery are as high as 300 billion barrels, almost equal to all known reserves of conventional crude oil in the world. Through Royalite, B-A has a 10 percent interest in Syncrude Canada Limited, whose member companies have spent \$27 million and are continuing to spend \$1.5 million annually on tar sands research.

Now that a competing 45,000 barrel-per-day plant is operating and the Alberta government has raised the tar sands production ceiling to 150,000 barrels per day, indications are that the Syncrude group will submit a revised version of their original application to build a \$365 million, 100,000 barrel-a-day project.

As with Gulf, B-A's interests now extend beyond petroleum to other minerals and other forms of energy.

Ten years ago, the prime source of earnings for B-A was refined products; today, the production of crude oil and natural gas is the largest contributor. B-A is Canada's largest producer of natural gas (103 billion net cubic feet sold in 1967, including Royalite) and the second largest producer of crude oil and natural gas liquids (27 million net barrels). B-A has estimated crude oil and natural gas liquid reserves of 614 million barrels, and 3,200 billion cubic feet of salable gas on a before-royalty basis.


Thus, after 62 years of growth from little more than a reseller of a few rudimentary products, B-A today is a soundly based and widely diversified corporation contributing to and gaining much from its association with the worldwide Gulf organization—through exchange of personnel and coordination and cooperation in the major fields of endeavor, such as production, supply, manufacturing, marketing, petrochemicals, and research.

During 1967 B-A adopted Gulf's blue and orange colors, which were incorporated in all of the company's service stations during a massive coast-to-coast revamp. So, with the exception of the name, the stations now look very familiar to U.S. motorists touring in Canada—particularly when they see a Gulf Travel Card sign which is prominently displayed at every location. For the benefit of Canadians planning trips to the U.S., Gulf gets equal billing on the redesigned B-A Travel Cards.

Including subsidiaries, B-A has a total of 11,752 employees, markets products coast to coast, and exports to 60 countries. With its favorable position in gas and oil, its diversification into sulfur, petrochemicals, LP-gas, tires, and automotive supplies it has the basis for continued growth and increased profitability. And the management of Gulf's largest affiliate is fully confident that, as Canada grows and progresses, British American Oil will share in and contribute to that growth.







Wild oats, a term commonly used to describe "that which is sown in youthful exuberance," has an entirely different connotation to the farmer. To him wild oats mean weeds—weeds that can cost him many dollars a year and that, until recently, were practically impossible to eradicate. Now, however, thanks to Carbyne, Mother Nature's days as a sower of wild oats seem limited. Carbyne is the trade name of a post-emergence herbicide developed at GR&DC's Kansas City Laboratory.

Wild oats each year rob farmers of millions of dollars in reduced crop yields and of other millions spent in reworking and replanting fields infested with the weed. Late plantings in an attempt to control wild oats prior to putting in a crop result in more losses. In North Dakota alone, the toll is estimated at \$35 million annually and in Canada at \$125 million.

The wild oat is a prolific plant. Counts as high as 522 plants to the square yard have been made, and a heavily infested

field in Canada was found to contain (in just the top six inches of soil) 70 bushels of wild oats to the acre. Fighting the weed had been largely unsuccessful because the wild oat ripens before other crops and unlike them it "shatters" when ripe, scattering its seeds. With more than 60 million acres of cropland—mostly of cereals, sugar beets, etc.—in North America affected to some degree, and areas of heavy infestation affecting wheat and barley, it is not surprising that Kansas City Laboratory scientists had been at work for some years looking for a means of control. In the search for an effective herbicide, they screened more than 800 compounds before discovering a group of chemicals that attacked wild oats at concentrations that were not too toxic to other plants. Chosen from this group in 1955 for further investigation was 4-chloro-2-butyln N-(2-chlorophenyl) carbamate.

Limited field testing of the chemical was started in 1958. The following year,



## taming the wild oat





an extensive field-testing program was begun. The tests at five locations in the United States and Canada involved some 8,000 different test plots operated by Research Center personnel. Extensive testing was also carried out by universities and government experimental farms. Factors such as rate and time of application, spray volume, fertility level, varietal reaction, and formulation were studied in what is believed to be one of the most extensive and effective programs ever conducted.

Carbyne is used by applying it to the most sensitive part of the wild oat plant—the first and second leaf—a spot best reached by a fine spray mist. Properly treated wild oat plants stop growing within two or three days after the spraying. Within a week or so these plants turn bluish-green in color and the leaves become very brittle. Eventually, the plant, which had it lived would have been capable of scattering as many as 250 seeds—all of which could have remained alive in the

soil for a number of years—will disappear.

In acquainting farmers with Carbyne, Gulf's Agricultural Chemicals people have been guided by the belief, "If a picture is worth a thousand words, an actual demonstration of what and where and how and who is worth a thousand pictures." Gulf has sponsored, with distributor cooperation, strictly information-type meetings about the herbicide. These Carbyne demonstrations are held in areas with a large wild-oat potential, especially in areas where farmers may be skeptical about herbicides. At the meetings, usually held in a field or barnyard, a Gulf representative tells all about the product, such as how to apply it and the equipment needed. An extremely important part of the program is a discussion on the timing of the application. This includes information on how a wild oat plant grows and in what stage it should be sprayed for maximum control and crop protection.

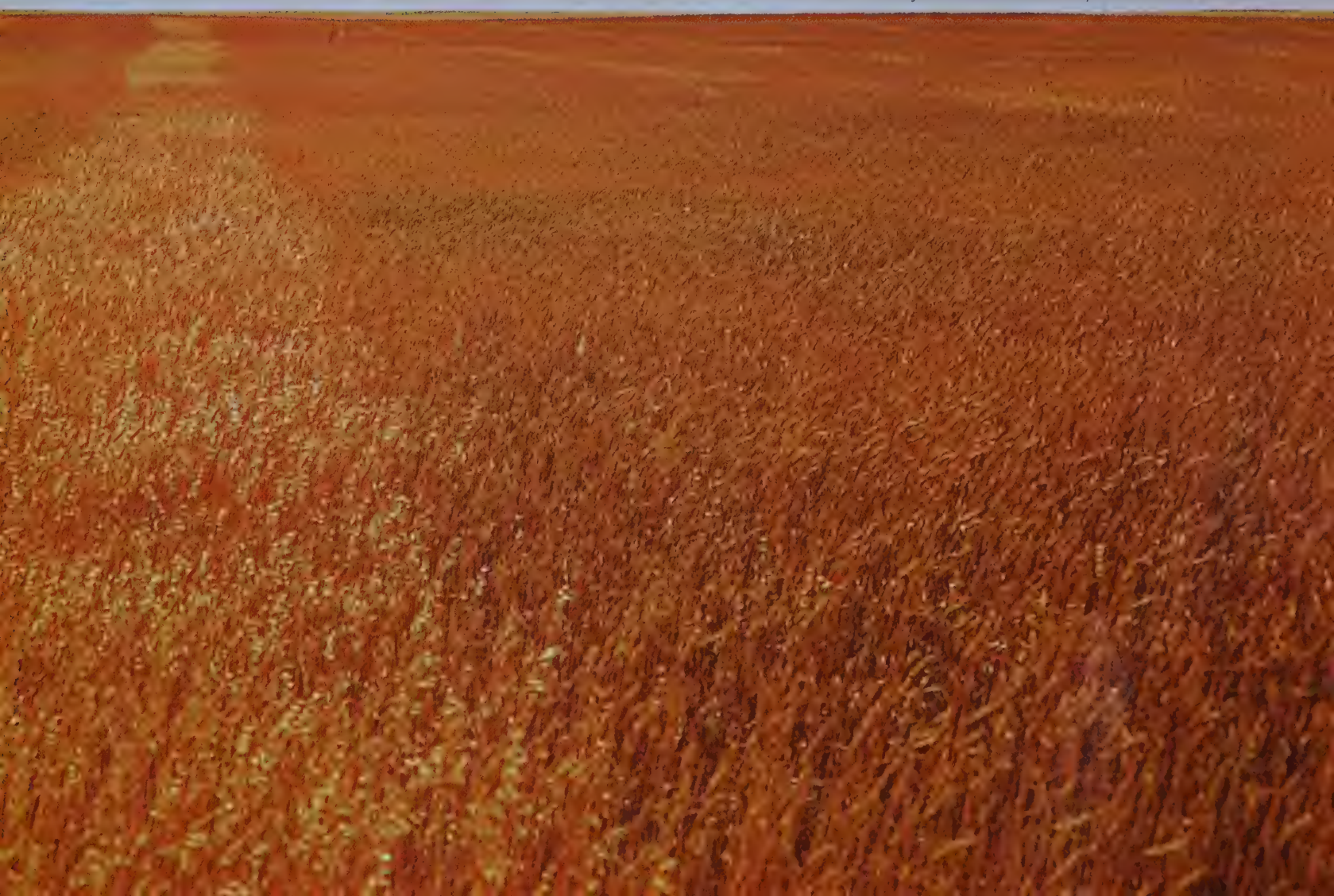
The Carbyne demonstration program is

one of the reasons that sales of the product have been consistently good. In the past three years, sales have virtually doubled each year, with the 1967 sales figure topping all others. Another sizable increase is expected in 1968.

Today Carbyne is approved for use in the United States and Canada on 11 crops: spring wheat, barley, flax, sugar beets, peas, sunflower, lentils, safflower, rapeseed, mustard, and soybeans. It is being used effectively in 11 states and five provinces in Canada, with the heaviest concentration of use in the grain-growing states in the north-central United States and the three prairie provinces of Canada.

The most important factor in the success of Carbyne, though, is the satisfaction of the farmers who have used it. One of the best recommendations came from a farmer who summed up his endorsement of the product by saying, "In the old days, the only way to get rid of wild oats was to sell the farm. Carbyne has changed all that."

*(facing page, top)* The delicate appearance of the wild oat plants belies its hardness and menace as a crop-destroying weed. *(center)* The wild oat seed is able to bury itself. Changes in temperature and moisture cause the long awn of the seed to twist and untwist, burrowing itself into the ground where it can lie dormant for years. *(bottom)* Carbyne, a Gulf-developed herbicide, is applied to a field to eradicate wild oats. *(below)* A demonstration wheat field treated with Carbyne shows untreated strips choked with wild oats.

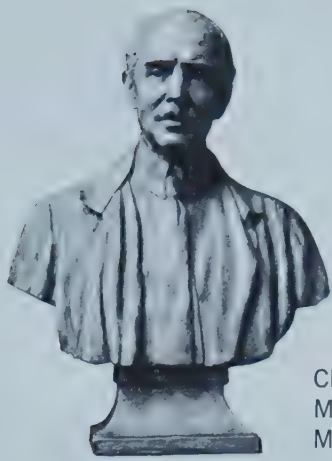




a visit  
to  
**Chesterwood**







Works done before Mr. French acquired Chesterwood are concentrated in the barn. Many of the pieces evoke his Concord, Massachusetts, boyhood — busts of Emerson and Alcott as well as a three-foot bronze “Minute Man.” New England provided not only subjects, but also a restraining influence on his works. He was regarded as the most completely American sculptor. As Mrs. Cresson wrote, “. . . all of them (are) strong with the force of Puritanism and the ordered discipline of New England.”

In the barn, browsing among the statues, interspersed with antiques and tapestries, one can appreciate the idealistic quality of his work, which helped to make it so popular. Men are portrayed as dignified, classical in form and proportion. In Mrs. Cresson’s words, “. . . his figures are always reaching upward for loftier ideals and a more compelling beauty.” His symbolism is interesting, often touched with humor. The draped, classic figure of Manhattan, her foot on the cashbox; the “Alma Mater” of Columbia University, with an owl tucked

Sunlight splashes through the tree canopy over Stockbridge, Massachusetts, gilding the fresh contrast of greenery and white frame homes, accented occasionally by a red brick building. A few people walk leisurely about in the “business district” where unobtrusive signs mark small shops and a historic inn. Further along, simple, sturdy churches with Georgian lines stand on wide lawns. Although these seem more than any town’s share of attractions, Stockbridge is further blessed in its location: the Berkshire Hills, whose scenic beauty and ideal climate have long made the area a fashionable summer resort.

The well-ordered New England village in its setting of woods and farmland was a natural place for the sculptor. Daniel Chester French, with his strong New England ties and love of beauty, to have chosen for a summer home. It was in 1896, after Mr. French had already won fame as the sculptor of the Concord “Minute Man” and “John Harvard,” that he and his wife happened to stop in Stockbridge en route to New Hampshire to look for a summer place. Immediately enchanted by the town, they bought a farm a few miles to the northwest. There Mr. French worked during the summer months each year until his death in 1931.

The gardens, studio, and a museum at “Chesterwood,” as Mr. French renamed the farm in memory of happy summers spent at his grandmother’s house in Chester, New Hampshire, are now open to the public. Margaret French Cresson, the Frenchs’ daughter, in the 1950s dedicated Chesterwood to the memory of her father and to the “education and pleasure” of all who wished to visit. “I thought it too lovely a place to be cut into building lots,” said Mrs. Cresson.

On display in the farm’s converted barn and in the sculptor’s studio are plasters, plaster and bronze sketches, some bronzes, and a few original marbles of Mr. French’s portrait statues, figures for public buildings and memorials. He was and probably still is the country’s most popular sculptor, and the visitor may be delighted to see a familiar sculpture, having never before known its artist.



(facing page) The Chesterwood Studio Museum. (top) “Daniel Chester French” by his daughter, Margaret French Cresson. (above) A display of his sculpting tools.

*"... his figures  
are always reaching upward  
for loftier ideals  
and a more compelling beauty."*

—Margaret French Cresson



in a fold of her skirt; and the figure of "Disarmament," his small head signifying the irrationality of war, are a few examples. Daniel French portrayed death as a gentle, winged figure, and a plaster of the Milmore Memorial widely known through photographs, shows the Angel of Death staying the hand of the sculptor as he is about to complete a carving of the Sphinx.

The studio contains later works. The original plaster of the Lincoln Memorial statue dominates the studio, where it was actually done. (Mr. French worked six months a year in New York). Often praised for the naturalness of the figure and the variety of emotions portrayed—from strength to tenderness—it is considered Daniel French's best work. Another attraction is "Andromeda," a reclining nude of Carrara marble, especially striking against the studio's dark, polished floor and green backdrop. Mr. French was working on "Andromeda" at the time of his death, and it had never been shown until last year. The statue, placed on a turntable where Mr. French worked, with a table of tools nearby enhances the feeling of being in a place where much was created, rather than in a cold, impersonal museum.

Not the least reason to visit Chesterwood would be to see the fine example of Henry Bacon's architecture. (Bacon was the architect of the Lincoln Memorial, among other well-known buildings). He designed the studio according to the wishes of his friend. Consequently, the studio reflects Daniel French's personality. Mr. French, known to friends as a man of tranquil, serene demeanor, had a great zest and capacity for work. His output was large (more than 250 pieces) and he meant it when he said, "I'd like to live to be 2,000 years old and just sculpt all the time."

Appropriately, the studio's first consideration is working space. The studio proper, a 30-foot cube with northern skylights, is perfect to accommodate large sculpture under even light conditions. So that Mr. French might see his work as it would be displayed—in daylight—an ingenious touch was incorporated into the design: A section of the floor is on wheels and can be moved out of doors on a track. The first statue to be completed here, an equestrian Washington, now in Paris, was a true test of the studio's practicality, as the figure reached almost to the top of the huge, ceiling-high doors.

Adjoining the studio is a sitting room where Mr. French also painted. After seeing the formal room with Oriental rug, 15th century Italian paintings, and antiques ("He was always going to auctions and buying antiques," Mrs. Cresson said), it is not surprising to learn that Mr. French was never seen working without a coat and tie. He once said that if he were not a sculptor he would be an architect. He designed the mantel and fireplace, which is not only well sculptured but meets the most important test—it draws well.

Three sides of the studio open out into gardens. "My father loved gardening," said Mrs. Cresson, "and he laid out the gardens at Chesterwood and for friends in the area. He was most interested in the plan of the garden." The architectural details which he liked can best be seen at Chesterwood from the front steps of the studio, which look over an exedra and fountain down a walkway bordered with hydrangeas ending with a stone-pillared gate which seems to lead directly into the forest. In fact, the garden does extend into the hemlock for-

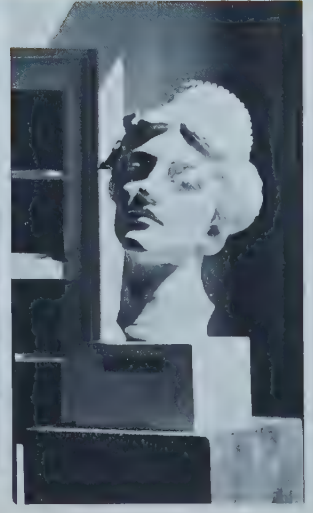
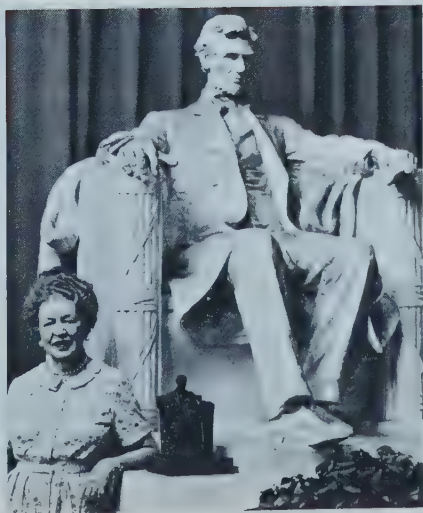
est. The Frenchs built a nature walk with occasional sculpture standing among mossy rocks of the leaf-covered forest floor. Now the public can enjoy the trail, and some of the unusual wildflowers have been marked. "City children, especially, enjoy it," said Mrs. Cresson.

Chesterwood is open from mid-June until September and weekends until mid-October, and a nominal fee is charged. The visitor in the Berkshires will find many other places to visit. Several old homes are open to the public. There are summer theatres in Stockbridge and Lenox, and Ted Shawn's School of the Dance in Jacob's Pillow offers top professional dancers as well as students. Tanglewood, the summer home of the Boston Symphony Orchestra, is only a few miles from Stockbridge and is the site of the famous Berkshire Music Festival with concerts during July and August. The late vacationer will find that Chesterwood's location makes it an ideal trip for seeing autumn foliage.

The peace and beauty of Chesterwood and the surrounding area can be enjoyed throughout the season, and are probably best displayed to the visitor when he steps out onto the porch of Mr. French's studio. Grape leaves frame a verdant meadow which shades off across a shallow valley into the amethyst of Monument Mountain. On the railing is a three-foot bronze of Daniel Chester French's "The Spirit of Life," a lithe female figure, arms upraised against the sky, her mood one of undimmed joy. One can readily understand how Daniel French was moved to say: "I spend six months in New York and six in heaven."

*(upper left) "Disarmament," (facing page, center) "Andromeda" and an equestrian "Washington," (right) Mr. French's portrait of his daughter, his two "Lincolns," "The Spirit of Life," and a detail from the figure "Manhattan."*









## Annual Meeting—1968

Following his opening remarks at the 1968 Annual Meeting, E. D. Brockett, Board Chairman, introduced Members of the Board who were present, and asked each of them to stand. Shown are I. G. Davis, F. R. Denton, Beverley Matthews, W. K. Whiteford, Mr. Brockett, B. R. Dorsey, W. K. Warren, George W. Wyckoff, E. D. Loughney, and Judge Royce H. Savage. Seated at the far left of the Music Hall stage is Russell G. Connolly, Vice President and Secretary of the Corporation.

The Annual Meeting of Gulf Oil Corporation, held on April 23, 1968, at Carnegie Music Hall in Pittsburgh, Pa., was called to order by Board Chairman E. D. Brockett at 11 a.m. He began by introducing the members of the Board in attendance, calling their names in order of seniority: W. K. Whiteford, elected to the Board in 1951; W. K. Warren, a Board member since 1956; Beverley Matthews, a partner in the law firm of McCarthy & McCarthy of Toronto, Canada, on the Board since 1958; George W. Wyckoff, Vice President and Governor of T. Mellon and Sons, a Director since 1958; F. R. Denton, Chairman of the Executive Committee of Mellon National Bank and Trust Company, on the Board since 1959; B. R. Dorsey, Gulf President, and a Director since 1964; I. G. Davis, Executive Vice President, on the Board since 1964; E. D. Loughney, Executive Vice President, a Di-





rector since 1966; and Judge Royce H. Savage, General Counsel, elected to the Board in 1966.

Mr. Brockett said, "A familiar face missing from the platform this year is that of Mr. John F. Walton, Jr., who has served as a Director since 1950. As we explained to you in our proxy statement, on December 27, 1966, our Board established a tenure policy and Mr. Walton, having attained the age set forth in such policy, is not a candidate for reelection to the Board. I think you should know that when our Board of Directors meets this afternoon we propose to designate Mr. Walton a Director Emeritus, an honorary title that recognizes the many years of service he devoted to Gulf. The same title was also bestowed, some years ago, upon Colonel J. Frank Drake."

The two items of business of the meeting were the election of the Board of Di-

rectors and the reelection of Price Waterhouse & Company as auditors.

After the balloting and while the judges were tabulating the votes, Mr. Brockett again addressed the audience. "A few minutes ago," he said, "I told you that I would introduce other senior officers to you later in the meeting. The reasons for delaying their presentation was that I wanted to explain our latest organization changes to you and to describe the roles that some of these gentlemen will play in the changed organization.

"About 10 years ago we initiated a program of decentralizing our organization so as to move the decision-making function closer to the scene of operations. Our company's tremendous growth during the past decade bears witness to the success of the program, and requires that another step be taken in decentralizing our organization.

"As you know, at the present time our headquarters for all petroleum-related operations throughout the United States are located at Houston, Texas. The Vice Presidents responsible for exploration and production, refining, marketing, and chemicals in the United States are located at Houston and operations are carried on under the banner of Gulf Oil Corporation. Effective the first of June, our United States petroleum-related operations will be carried on under the banner of Gulf Oil Company—U.S., a division of the Corporation, and its President will be Mr. Fred S. Schwend. The men who are currently Vice Presidents of Gulf Oil Corporation will become Vice Presidents of Gulf Oil Company—U.S. The United States headquarters will continue to be located in Houston."

Continuing, Mr. Brockett said, "We have also designated Gulf Oil Company—Latin





Mr. Brockett addresses the shareholders.

America to carry out the Corporation's operations in South and Central America and the Caribbean Islands. It will be headquartered in Coral Gables, Florida, and its President will be Mr. Cliff W. Peery.

"Gulf Oil Company—Eastern Hemisphere will be headquartered in London. Its area of operations will be Europe, Africa, and the Middle East, and its President is Mr. A. R. Martin.

"Gulf Oil Company—Asia, with headquarters in Tokyo, Japan, will have as its President Mr. P. E. Holloway, and its area of activity will include all of the Asian and Pacific nations west of Hawaii.

"Gulf Oil Trading Company will have its headquarters in Pittsburgh and Mr. R. B. Hoffman is its President. This company will have responsibility for international marketing functions involving crude oil and products including aviation, marine, and liquefied petroleum gas."

Mr. Brockett then introduced each of the men. He also called upon Charles Hay, President of The British American Oil Company Limited, Gulf's Canadian affiliate, to stand. Next, he introduced other senior officers of the Corporation. Included were W. W. Adams, who continues as Senior Vice President of Gulf's financial activities; T. A. Dietz, who continues as a Senior Vice President, with responsibilities for carrying out special assignments at the direction of The Corporate Executive; Dr. Alex Lewis, Jr., who continues as a Senior Vice President, with new responsibilities as technical advisor to the Executive over a wide range of areas; F. C. Anderson, Comptroller; and H. R. Moorhead, Treasurer.

In addition, Mr. Brockett paid tribute to General Arthur G. Trudeau, President of Gulf Research & Development Company, who will retire on August 1, 1968.

Mr. Brockett then began discussing the affairs and outlook of the Corporation. "Quite naturally," he said, "we always are more prone to discuss our successes than our problems. We are understandably proud of our achievements of the past year, but we also want to make sure that our shareholders are aware of some of our problems."

He noted that there were substantial

achievements to report as well as some trouble spots, and that Mr. Dorsey would deal with the former later in the meeting.

"During 1967," he continued, "there were two developments which had world-wide attention given to them. The first—and principal one—occurred when conflict erupted in the Middle East shortly after our last annual meeting. The Suez Canal, as a result, was closed and still is blocked. This situation brought about an immediate and massive change in our normal lines of supply, caused us to reschedule our outputs of crude oil, and in general, increased our costs.

"The second conspicuous development which adversely affected our earnings was the devaluation of the British pound and other foreign currencies which had a one-time negative effect on Gulf's operations for the year.

"But as we have pointed out before, the petroleum industry operates in a restless world and problems such as these are part of our business. Gulf has one kind of activity or another in more than 50 nations and relations with many, many sovereign governments. In such a global operation, we must be flexible in dealing with continually changing political, cultural, and social conditions. We are pleased to report that the problems I have mentioned, as well as others of a lesser nature, were surmounted in 1967 as Gulf Oil Corporation achieved another record year.

"We have mailed our annual report to shareholders and you also have received a copy today. The report comprehensively describes Gulf's 1967 operations, and therefore, I do not think it necessary to repeat this information except to say in summary that by the end of 1967 Gulf's assets rose to nearly \$6.5 billion. And for the eighth consecutive year, Gulf established corporate records in net income, cash dividends paid, and in volumes produced, processed, and sold in most categories of our business. Our earnings from operations—at \$568 million—constituted a gain of 12.6 percent over 1966.

"The year saw a continuation of an accelerated investment program begun a decade ago. Some \$971 million was spent for capital and exploratory outlays in 1967. During the past 10 years, these expenditures have averaged more than \$600 million per year, and in the past five in excess of \$750 million annually.

"We have continued to diversify our geographical and political sources of crude oil, and have increased substantially our reserves of low-sulfur crude oil so much in demand at this time. Furthermore, we have strengthened our position as an energy company by moving into the nuclear energy field.

"Outside the realm of energy, but related to our oil activities, Gulf is making larger investments in facilities which upgrade petroleum feedstocks into higher-value petrochemicals, agricultural chemicals, and plastics in anticipation of a projected high demand for these products.

"Most assuredly," Mr. Brockett said, "we believe that Gulf can maintain the momentum of its growth, but such progress clearly could be affected by certain current activities of our Federal Government.

"Recently, for example, restrictions were placed on foreign capital investment in order to improve our nation's balance of payments. We understand the reasons for this, and we will continue to cooperate with the Government in achieving its aims. But it is important to note that income from existing foreign investment by U. S. industry consistently has exceeded the outflow of industrial capital from this country and thus has contributed favorably to the balance of payments.

"Since Gulf and industry in general contribute favorably to the balance of payments and historically have done so, in our view it would be a serious mistake to impose restrictions on industry for the long term. Such restrictions would be self-defeating in that they would be detrimental to the nation's future balance-of-payments posture.

"Another area of involvement by the U. S. Government is the Oil Import Control Program which has been receiving a great deal of attention lately. This program affects both Gulf and the oil industry as a whole, and we believe that its continuation is imperative for national security.

"At the time voluntary controls were instituted in 1957, we were doubtful of the need of a mandatory oil control program. However, many changes in the world oil industry have resulted in a worldwide surplus of crude oil which in turn has brought about a sharp drop in the price of foreign oil. Without import controls now, foreign oil would displace much of the crude in U.S. markets, and thus discourage the exploration necessary to maintain productive capacity essential to national security.

"The Oil Import Control Program has maintained the share of U.S. production in U.S. markets and in general has met the national security objectives for which it first was conceived. However, a series of changes made in the past two years has seriously weakened the program. Until 1965, only refiners who used crude oil as a raw material were given quotas, but in 1965, for the first time, companies which manufactured petrochemicals from refinery products were given quotas. Several special quotas have been given since then, ostensibly to promote employment in the Carib-



bean Islands, one of them to a refinery in an area where labor has to be imported. Because of the use of this program for objectives other than national security, its future is in doubt. We are hopeful that common sense will prevail, however, and that the program will be restored to its true purpose.

"Another sector having a potential impact upon the petroleum industry," Gulf's Board Chairman continued, "is an anticipated assertion by the U. S. Government of its right to prorate production from U. S. Federal lands, particularly those prolific fields offshore in the Gulf of Mexico, and potentially, fields in Federal waters offshore California.

"For many years, the Texas Railroad Commission, the Louisiana Conservation Commission, and similar bodies in other producing states have done an excellent job of regulating crude oil production. These authorities have promulgated and enforced state regulations which have promoted the conservation and development of oil and natural gas. They have prorated production to market demand in such a way as to minimize physical waste and protect the rights of the producers and royalty owners concerned. If the U. S. Government pursues this matter, we trust that it will be in close cooperation with the state regulatory bodies which are handling it so well.

"Finally," Mr. Brockett said, "still another problem facing us is an unusually heavy attack on the mineral depletion provisions of our Federal tax laws.

"Changes in the depletion laws would affect not only oil, but some 100 other extractive industries from coal to iron ore to gravel. The purpose of depletion since its enactment by Congress in 1926 has been to provide an incentive to industry to explore for and develop natural resources to assure the economy a sufficient supply of vital minerals. Such incentives are necessary because these activities all require an enormous amount of exploratory and capital expenditures, and they involve a high degree of risk.

"The elimination of this provision or any reduction in the percentage rate for depletion would have adverse effects upon our economy. Already there is a marked drop in the search for new oilfields in the United States. From 1957 to 1967, according to the American Petroleum Institute, there was a 40 percent decline in exploratory wells drilled. To meet the requirements of the next 12 years, the U.S. petroleum industry must find somewhere between five and six billion barrels of new oil annually—almost double the average rate of net additions to reserves over the past decade.

"So unless the search for new reserves in the U.S. continues to be encouraged, we

will face a degree of oil insufficiency that would weaken our national self-dependence and lead to a heavy reliance upon foreign oil. Such a development would not be in furtherance of the national interest.

"The present percentage depletion rate does not provide the oil industry with preferential treatment. The rate of return on invested capital for the petroleum industry is comparable to the average for all industry. And a study by the Petroleum Industry Research Foundation reports that the total tax borne by the petroleum industry, including excise and sales taxes, amounts to 21 cents per dollar of revenue. This is considerably higher than the comparable, composite total tax on all other industries.

Mr. Dorsey comments on the progress of the Company as Mr. Whiteford and Mr. Brockett listen.





(left) Mr. Brockett talks with a shareholder. (top) Mr. Whiteford leans from the stage to answer a question. (above) Mr. Dorsey chats informally with Judge Savage and Mr. Warren (back to camera).

"The foregoing governmental matters are creating apprehension in the oil industry, and therefore, we felt that our shareholders should be made aware of them. Gulf, along with others in the industry, is presenting its views to all responsible parties in government, and we are confident that when all aspects of these matters are taken into consideration, a continued atmosphere of enlightened Federal tax laws, oil conservation policies, and regulations will prevail."

Mr. Brockett concluded by saying, "In such an atmosphere, and despite other difficulties which may arise, the outlook for Gulf in 1968—and for many years to come—continues to be extremely favorable."

He then called upon President B. R. Dorsey to further comment on the affairs of the Corporation.

"In amplification of Mr. Brockett's statement of confidence concerning Gulf's outlook," Mr. Dorsey began, "I should like to review our corporate activities to show how Gulf is preparing for the future while at the same time maintaining its present margins of profitability."

"I think it important to point out first that the commercial objectives of Gulf are based upon the time-proven equation that energy equals progress. For centuries, energy in one form or another has powered the engine of man's advancement, and thus, nations are affluent in direct proportion to their use of energy. The United States, because of its unsurpassed ability to utilize raw materials and energy, consistently has been the most powerful and wealthy of nations; it uses the most energy and will continue to. But other nations, particularly those which are underdeveloped, also are going to need enormous amounts of energy. Between now and 1985, Free World demand for liquid hydrocarbons will more than double, representing a growth rate of about 4.4 percent annually."

"Against the backdrop of this continued increased demand for energy, a second, subtle force will begin to exert itself. Patterns in the use of energy constantly will be shifting because of economic, geographical, and technological factors. For these reasons, Gulf has evolved as a broadly based energy corporation rather than one concerned only with the production and refining of liquid hydrocarbons."

"The basic sources of energy today are petroleum, natural gas, coal, nuclear fission, and water power. Gulf can supply all of these except water power. In the years ahead, we may expect to see these basic sources augmented by synthetic fuels extracted from tar sands or shales, and by the fusion of deuterium, or 'heavy hydrogen.' Gulf is involved in the research and development of these potential new energy



sources now.

"To create and expand a successful energy company, we must seek and develop additional reserves of raw materials. We must utilize the most advanced technology and efficient management techniques to process our raw materials into higher-value products. We must be expert in many forms of transportation. Our research must provide new and improved products and processes. And we must attract, keep, and train manpower of the highest caliber.

"Our activities in these areas during 1967 are detailed in the annual report, and therefore, it would be redundant to repeat them. What I would like to do instead is highlight some of the key activities underlying our corporate development."

Mr. Dorsey then said, "Gulf's activities broadly can be put into three categories: first, those designed to increase the Corporation's revenues; second, those to reduce our operating expenses; and third, those which cannot be expected to produce immediate operating results, but which are needed to protect the investment of our shareholders and assure growth by the Corporation in a changing future.

"Under the heading of activities designed to increase Gulf's revenues, in February, we participated in a Federal lease sale of California offshore acreage near Santa Barbara. Gulf, in partnership with three other oil companies, obtained interests in leases on 11 blocks covering almost 63,000 acres.

"I am pleased to report that the first test on one of the blocks has been completed as a producer, and further drilling is in progress. Of course, only drilling itself ultimately will determine the extent of oil to be found in this area, but estimates are at this moment that this California offshore acreage will evolve into fields whose production will approach the magnitude of the current Louisiana offshore production.

"The significance of this development is that California will be able to produce a volume of crude equal to or in excess of its requirements. Crude from this area will be used in our Santa Fe Springs, California, refinery which has relied heavily on imported crude feedstocks and purchases of crude from other producers.

"Elsewhere, Gulf is continuing to discover and develop oil resources in West Africa and South America which are strengthening our reserve position, diversifying our crude sources, and providing supplies of low-sulfur crude.

"A month ago we placed Nigeria's Delta South field on stream, raising Nigerian production from 58,000 to 81,000 barrels per day. Additional fields will be put into production this year in the area. We anticipate that Nigerian production will grow to 172,000 barrels per day by next February,

which will make that country a major producing area for Gulf.

"Also in West Africa, in offshore Cabinda, work is proceeding to place productive wells on stream at a rate that will achieve 30,000 barrels per day by the end of this year. An expected production of 150,000 daily barrels is forecast by the end of 1970.

"In Colombia and Ecuador, Gulf and a partner have discovered another large new field on the Colombian side of the border, while on the Ecuadorian side, five wildcats drilled to date have resulted in five prolific oil wells. A pipeline is being built from the Orito field in Colombia to the seaport town of Tumaco and it should be completed toward the end of the year."

Turning to chemicals, Mr. Dorsey said, "Chemical sales are providing Gulf with another source of increased revenues. In the United States, between now and 1975, petrochemical markets are expected to grow eight percent per year, agricultural chemical markets seven percent per year, and plastics markets 12 percent per year. Growth abroad will be even higher.

"Gulf is increasing its capacity to manufacture a wide range of petroleum-derived chemicals in the U. S. and worldwide, and I will not try to describe all of these projects. However, I will report that our big, new fertilizer plant, the Faustina Works near Baton Rouge, Louisiana, should go on stream in July.

"In the fertilizer market, advantages will lie with the company having the most efficient manufacturing and distribution facilities. This philosophy has dictated the Faustina development.

"Faustina is located near its sources of feedstocks and also adjacent to a major transportation artery—the Mississippi—upon which large amounts of products can be shipped economically to distribution points upriver in the nation's farm belt. The facility itself embodies the finest and most modern know-how in fertilizer plant construction.

"In marketing, a program to upgrade our service station network is helping to generate increased product revenues. Successful service station upgrading not only calls for the building of new locations, but the removal of those outlets which have become unprofitable or obsolete. In the U. S., in 1967, more unprofitable outlets were disposed of than new stations acquired, but each new location, assured to Gulf through ownership or lease, produced almost two and one-half times the volume of each one given up. In addition to those 460 new stations put on stream in the United States in 1967, 455 existing locations in areas of high profit potential were rebuilt or modernized. The net effect has been that fewer stations are producing

greater average unit sales with obviously improved operating efficiencies.

"The large Midwestern marketing network acquired from Citgo in 1966 was converted completely to the Gulf brand by last year and merged with our existing operations. Sales through the former Citgo outlets are well in excess of those forecast at the time of the acquisition.

"Gulf is continuing to put its three large credit card centers at Philadelphia, Atlanta, and Houston to increasingly good use. Coast to coast, our five million Gulf Travel Card holders can look to more than 32,000 Gulf retail outlets, 900 Holiday Inns, and most recently, more than 1,000 Avis Rent-A-Car locations, for automotive, marine, and aviation products and services, food and lodging, and automobile rentals. Gulf's Travel Card billings at Holiday Inns alone during 1967 were \$70 million.

"In contrast to many of our competitors who have been depending upon money giveaway games as an attempt to increase service station sales, Gulf thus far has chosen programs with meaningful incentives for our dealers to motivate them to provide customers with better service and encourage them to improve their service station management and station appearance. These programs, as well as individual station traffic-building promotions, have contributed to significant volumetric gains in our retail outlets.

"Operationally," Mr. Dorsey continued, "Gulf is in the midst of a revenue-building project in the Far East. We have received the go-ahead from authorities to build a 100,000 barrel-per-day refinery in Okinawa and a big transshipment terminal adjacent to it. This efficient complex will enable Gulf to supply crude and petroleum products to the Asian market at the lowest cost.

"In its activities to reduce or hold down operating expenses, Gulf has a program underway to add to its refining capacity in Europe to replace relatively high-cost processing agreements. A new wholly owned complex, a 60,000 barrel-per-day refinery and chemical plant at Milford Haven, Wales, will go on stream next month. We are pleased that Her Majesty, the Queen of England, has agreed to dedicate this refinery in August.

"Additionally, we will expand the Denmark refinery; we have been given approval to build a 60,000 barrel-per-day refinery in the Milan area of Northern Italy; and we have acquired a 25 percent equity in a 50,000 barrel-per-day Swiss refinery.

"Taken together, these facilities will reduce Gulf's dependence upon processing with other refineries which can cost 15 to 20 cents per barrel more than if we were to process the crude ourselves. They will give Gulf sufficient capacity to meet



its growing marketing requirements in Europe with increased profitability.

"A reduction in the costs of moving raw materials and products is being effected by Gulf's investments in transportation facilities. Since the end of World War II, the oil industry has cut its transportation costs in half, and we are continuing the trend.

"We are automating ships, terminals, and loading racks. Computers assist our warehouse people in organizing the most economical truck routes and packaging systems. We have enlarged the capacities of barges and railroad tank cars, and are shipping certain products under refrigeration or pressure to reduce their volume.

"A good example of transportation savings is found in the Colonial Pipeline of which Gulf is part owner. The pipeline can move one million barrels of petroleum products per day at a delivery cost of less than one cent a gallon for the distance between the Texas Gulf Coast and the New York harbor area.

"We are taking advantage of pipeline economies in other areas, and particularly in South America over terrain which not too long ago presented such a formidable challenge that the feat was regarded as an engineering impossibility.

"Less than two years ago we activated the first trans-Andean pipeline ever laid to market Bolivian crude. The spine of the Andes Mountains rises to heights of 14,000 feet, and the pipeline rises to and descends from dizzying elevations, and traverses jungles, rivers, and canyons.

"That pipeline has been so successful that a second crude line is being built, the one in Colombia I mentioned earlier. And it appears that an additional pipeline from the Ecuadorian fields over a similar route to a seaport will be required. Thus, it appears that two or three years from now, the number of such lines will have grown to three.

"In another important pipeline development, this month Gulf and several other oil companies formed the Explorer Pipeline Company to construct and operate a large-diameter, common carrier pipeline to transport petroleum products from Texas-Louisiana Gulf Coast refineries to the Midwest. The pipeline being planned would be approximately 1,200 miles long. It would terminate in Chicago and serve Tulsa, St. Louis, and intermediate points. Gulf will be the largest stockholder in the line, which should be in operation by the mid 1970's," Mr. Dorsey said.

"Other dramatic transportation savings will be made as the result of our big ship program. It involves the long-term charter of six 312,000-deadweight-ton tankers being built in Japan. Delivery of the first of the big tankers is expected in the early

autumn, and National Bulk Carriers, Inc., the owners, have decided that the first one shall be named the UNIVERSE IRELAND. The wife of the Prime Minister of Ireland will sponsor the ship at a naming ceremony in August.

"Obviously, the '312's' will be too large for the Suez Canal. Even so, they will enable Gulf to transport oil around the African continent at approximately one-half the operating cost per barrel that would be incurred in shipping the oil through the Suez Canal with 50,000-ton ships. Each will carry some two and a quarter million barrels of crude per trip. When the first one goes into operation this fall, she will be the largest ship afloat.

"In any operation such as Gulf's, we must attempt to foresee the evolution of markets in which we are involved, as well as those markets which may be related to what we are doing, but in which we are not involved. As an outgrowth, we must expend our energies and our resources on programs which may not now be profitable, but which are vital to our long-term progress.

"At the last annual meeting, we announced our intention to enter the nuclear energy field. The reason for this decision becomes apparent when you stop to consider the fantastic projected growth in the use of nuclear energy. It is estimated that the use of nuclear energy will show a Free World increase from an equivalent rate of 200,000 barrels per day of crude oil in 1967 to a rate of 17 million barrels per day by 1985.

"Last year, Gulf entered the nuclear field with a uranium exploration program. We have acquired substantial mineral rights in promising areas in the Western United States and Canada, and an active core drilling program is moving forward.

"Another significant step was taken in October when we acquired General Atomic, a division of General Dynamics Corporation, located in San Diego with a staff of 2,000. The company has been renamed Gulf General Atomic Incorporated.

"GGA is a research, development, and manufacturing company, broadly engaged in many phases of nuclear development for nonmilitary use. It has pioneered in the development of a high-temperature, gas-cooled reactor for electric power generation, which is more efficient than the conventional water-cooled type. One such plant for which GGA supplied the reactor is in service at Peach Bottom, Pennsylvania. GGA also is prime contractor to build a larger power plant of the same type, near Denver, for the Public Service Company of Colorado.

"Other GGA projects range from a reverse osmosis process for desalinating and purifying water to thermionic space reac-

tors for the National Aeronautics and Space Administration and the Atomic Energy Commission.

"An additional benefit from the acquisition will come from our being able to call upon GGA scientists in dealing with the application of nuclear energy to tight oil and gas formations, shale cracking, and other similar problems that may arise in the future.

"Gulf Research & Development Company will spend some \$36 million this year on research. The largest single program covers a multitude of projects dealing with air and water conservation. Investigations center on automotive exhaust emissions, fuel composition and its effects upon combustion, and the purification of stack gases in industrial and power plants. Others range from smog studies to the design of automotive catalytic mufflers to reduce to zero the amount of undesired emissions resulting from internal combustion engines. Gulf will spend some \$3 million alone in these areas this year.

"Last year, we reported to you on our experimental production of protein based upon a process in which microorganisms, such as yeast cells, assimilate hydrocarbon feedstocks to form a highly nutritional substance. Our efforts are progressing extremely well. The substance is being tested with animals, a program necessary before the food can be certified for use by humans.

"Elsewhere, in 1967, we put into operation what probably is the largest private oceanographic research ship in the world—the GULFEX—which is being used around the world to conduct long-range research on marine exploration techniques. The GULFEX recently made a complete seismic, magnetic, and gravity survey of the Atlantic Ocean floor from the Caribbean to Gibraltar. Such studies are helping Gulf to gain an understanding of the formation of continental shelves and their possible relation to continental drifts.

"A research team now is in Japan where it will supervise the design, construction and testing of a 30,000 barrel-per-day unit which will hydrodesulfurize heavy fuels. The plant, which subsequently will be turned over to Japanese owners, will be the first of its kind and will utilize a Gulf-developed process to produce cleaner-burning fuels.

"The Pittsburg & Midway Coal Mining Company," Mr. Dorsey noted, "will put a pilot plant into operation this year to produce de-ashed coal which also is virtually free of sulfur. The coal, which has been produced successfully on a bench scale by P & M, can be burned as a solid or melted and used as a heavy fuel.

"Other programs are dealing with the conversion of coal to gasoline, as well as



the extraction of hydrocarbons from shale and tar sands in which Gulf has a developing interest.

"In separated activities, in 1967, Gulf entered a business not at all compatible with its primary objectives. This was Gulf's purchase of the assets of Reston Va., Inc., owner of the new community of Reston, Va., 18 miles northwest of Washington, D.C. Gulf's original objective in Reston was to be a passive investor, with the aim of acquiring service station locations and establishing a central fuel oil supply which are in line with its primary business.

"However, it became apparent that Reston was in extreme difficulty and was not going to be successful. Gulf might have written off its investment in Reston, and in fact this course was considered most seriously. But, Gulf has a social conscience, and considering the stake that so many people had developed in Reston, such as the home owners, governmental agencies, and so forth, Gulf decided to continue the Reston effort.

"Problems remain. However, the new community concept appears workable, and over the long term, Gulf Reston probably can hold to a major part of the present master land-use plan. The difficult decisions will be in the timing and planning of the use of land to maximize profit potential while creating a new urban area more esthetically pleasing and more capable of meeting human needs. Briefly, Gulf's analysis indicates that if properly managed and with proper marketing, plus a considerable supply of what the trade calls patient money, Gulf Reston will be able profitably to produce the new community of Reston, Va., and to make it something of which all can be proud. This is the aim and objective.

"In conclusion, I should like to express high praise for the continuing excellent performance of Gulf employees who have demonstrated ingenuity, flexibility, and good judgement in performing their duties.

"Employees are the wellspring of corporate progress, and in view of the growing number in Gulf, during 1967 we formalized our management development concepts into a program. The program embodies a system of worldwide review in which management at all levels evaluates its people for higher responsibilities.

"As in other programs of this type, development plans are made for all employees. The resulting career 'blueprints' then are matched with the Corporation's forecasted management structure to insure that the Corporation will be staffed adequately with qualified personnel in vital positions in the future.

"A unique feature of our program, however, sets it apart from most. The careers of that group of employees having the highest

growth potential actually are guided by top management which has the responsibility for all facets of their development, including job placement. We feel that this program will be an effective one which will contribute to the continued progress of Gulf."

Mr. Dorsey said, "This concludes my formal remarks, and now I will turn the program back to Mr. Brockett."

Following Mr. Dorsey's remarks, Mr. Brockett reported on earnings for the first quarter of 1968. "I am pleased to note," he said, "that in the opening quarter of this year, our operating volumes have generally advanced, prices in most areas have remained stable, and all in all, the momentum of progress has been maintained.

"In 1968's initial quarter, Gulf achieved earnings of \$154,187,000 or \$1.49 per share. This is an increase of 10.1 percent over first quarter earnings in 1967 of \$140,043,000, which was the equivalent of \$1.35 per share.

"The outlook for the remainder of 1968 appears equally encouraging despite its uncertainties. Gulf and other members of the international oil industry have learned to live with uncertainties in supply arrangements, prices, and taxes. We recognize that the U. S. Congress may enact a 10 percent surtax retroactive to January 1. Therefore,

our first quarter earnings figure of \$154,187,000 reflects the fact that we already have set aside sufficient funds to cover such a tax increase."

Mr. Brockett interrupted his prepared text to say, "Ladies and gentlemen, may I add at this time that I fervently hope that Congress will promptly enact this tax legislation coupled with a massive reduction in spending to preserve the integrity of our economy."

He closed by saying, "Barring any unforeseen developments of major proportions, we anticipate that Gulf's net profit for 1968 will increase approximately 10 percent."

Russell G. Connolly, Vice President and Secretary of the Corporation, then handed Mr. Brockett the results of the election. Mr. Brockett reported that as a result of the balloting, the Board of Directors of the Corporation for the ensuing corporate year would be made up of E. D. Brockett, I. G. Davis, F. R. Denton, B. R. Dorsey, E. D. Loughney, Beverley Matthews, Richard K. Mellon, Royce H. Savage, W. K. Warren, W. K. Whiteford, and George W. Wyckoff. He also announced that Price Waterhouse & Company had been reelected auditors.

Following a brief question and answer period, Mr. Brockett adjourned the meeting.



To provide sufficient seating capacity, the 1968 Annual Meeting was held in Carnegie Music Hall in Pittsburgh's Oakland area. Chartered busses were provided to transport people the three and a half miles from downtown to the Music Hall. Inside the Music Hall the shareholders attending the Annual Meeting were registered by young lady secretaries. After the Meeting busses were available for the trip back to town.



# A Cantini Original

When you step from the elevator on the 31st floor of the Gulf Building in Pittsburgh, you see the sculpture mounted on the rich walnut paneling of the wall facing the bank of elevators. Bathed in a soft glow from two small spotlights in the ceiling, the work, with its abstract shapes in brass and one large irregular piece of crystal at its center, dominates the corridor on the redecorated Executive floor.

The sculpture is the creation of Virgil D. Cantini, well-known Pittsburgh artist. His work is familiar to readers of "The Orange Disc" from two covers that appeared on "Christmas issues" of the magazine: November-December, 1961, a mosaic, "Mother and Child;" and November-Decem-



Virgil D. Cantini conceived and created the sculpture.

ber, 1967, a bas-relief, "The Holy Family."

Reaction to the metal sculpture done by Cantini for Gulf (the artist gave it no name) has been most favorable. President B. R. Dorsey said, "I have seen and admired Cantini's work ever since coming to Pittsburgh. When we decided that we wanted a sculpture for the hallway, something that would symbolize forcefully and dynamically our Company and the industry, we immediately thought of Cantini. The finished work speaks for itself. I am very pleased with it."

Cantini, who was born in Italy, studied art at Carnegie Institute of Technology and in Europe on a Guggenheim Fellowship, and is now a Professor in the Henry Clay Frick

Fine Arts Department at the University of Pittsburgh. His works have appeared in numerous shows and exhibitions, including the Carnegie International Exhibition of Contemporary Painting and Sculpture.

One of his greatest interests has been in the developing of enamel on metal, for which he has received national recognition. A versatile artist, he has also done considerable work in mosaics and in welded metal sculpture. A particularly interesting assignment that he carried out a few years ago was creating mosaic panels that line the walls of a tunnel—a pedestrian passageway—not far from the Gulf Building. The work was commissioned by the Urban Redevelopment Authority of Pittsburgh.

Like most artists, Cantini is reluctant to interpret his work. "Whether you are talking about art or music or poetry," he said, "the meaning has to come from the viewer or listener or reader. The artist has already made his statement—said what he has to say—in the work."

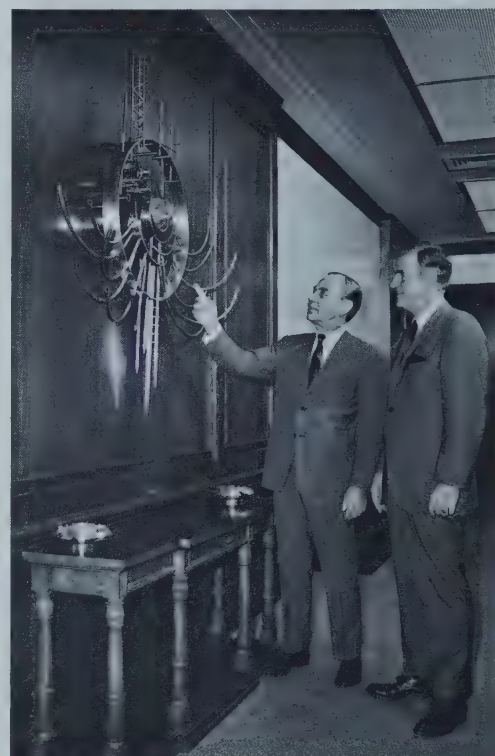
In the Gulf sculpture, however, Cantini feels that there are a number of obvious symbols relating to Gulf and the oil industry. He said, "The piece of crystal at the center, for example, can be considered as representing the sun, or petroleum, or even more generally, energy—which is certainly what Gulf is all about. The circle that surrounds the crystal is a universal symbol for the earth—appropriate since Gulf's operations are worldwide. The tubular bronze pieces curving down and away from the crystal reinforce the idea of Gulf supplying energy for the world. The fact that the pieces are tubular, which is readily apparent at their open ends, is strongly suggestive of the transportation system, the pipelines used to carry petroleum and its products."

Cantini added, "Rising above the circle at the left are shapes that might indicate refinery towers with their ladders or suggest the silhouette of a drilling rig. The pointed, perpendicular pieces that project from the center down through the circle can easily be thought of as well bores, probing deep into the earth."

This, at least, is one way in which the piece can be interpreted. Other meanings or symbolism may be found, depending on the viewer. Of course, as with any work of modern art, there are interpretations sug-

gested by persons, who, if they are short on art appreciation, are long on wit.

Cantini, whose work began appearing in churches and public buildings in the Pittsburgh area as early as 1948, is used to such reaction. "Once you leave the literal approach," he said, "once you become symbolic or abstract, you have a segment of the public that is unwilling or unable to accept what you are trying to do. But it is amazing how far the public has come in its understanding of art in the past two decades. This is most important, if for no other



B. R. Dorsey, President of Gulf Oil Corporation, discusses a feature of the new Cantini sculpture with Fred S. Schwend, President of Gulf Oil Company—U.S.

reason than the obvious one that art is a universal language."

That Virgil Cantini speaks knowledgeably—both in his statement about art and in his statement through his art—was brought home in a recent episode involving a visitor to the Gulf Building from Korea. The man stopped and stared at the sculpture on 31, then turned and said, "I like that. It tells all about Gulf."





# Cedar Point a Kid's Paradise



Balloons—all shapes and colors of them—set the mood for a day at Cedar Point. (*facing page*) A car on The Blue Streak, the park's famous roller coaster, hesitates, picks up momentum, and then flashes into the "big dip." Two other rides offer lesser dips—but with a dash of water. The Mill Race and Shoot the Rapids end in a dramatic and refreshing splash at the bottom of a chute.







The little boy covered his eyes with his hands; the pretty blonde teenager screamed; the matronly woman clutched the railing frantically. The line of spectators waited eagerly; some pointed and laughed at the girl and her companions as the car sped by. Was it a scene from a late night TV horror movie? Far from it. It was a real life episode; a part of the festive Sunday afternoon crowd riding or waiting to ride "The Blue Streak," the roller coaster at Cedar Point, one of the nation's largest and most popular amusement parks.

Located on a peninsula that juts out into Lake Erie near Sandusky, Ohio, Cedar Point is the country's oldest amusement park, and ranks second only to Disneyland in diversity of rides and entertainment. In addition to the "Fabulous Funway," where most of the rides are now located, Cedar Point is made up of a Frontier Town, a second midway area recently added and being developed; the Breakers, a 1,000-room hotel; a wide, mile-long sandy beach that can accommodate 4,500 swimmers and sunbathers; a 1,000-boat marina, one of the biggest and best on Lake Erie; and parking space for 12,000 automobiles. More than two and a half million people visited the park last year; this year the figure should pass the two and three-quarter million mark.

Why do people willingly submit themselves to the torments and terrors of a roller coaster (and The Blue Streak is a dilly) and many of the other attractions of an amusement park? The answer is complex and psychologists have written lengthy papers on the subject. One reason on which most of them agree is that people like to have the feeling that they are flirting with danger—while knowing all along that they are perfectly safe.

The Mill Race at Cedar Point is an example. Mother and Dad and the two kids can all climb into a boat—a simulated carved-out log—and enjoy a twisty ride along a chute similar to the flumes used by loggers to transport cut timber from the mountains down to the stream and on to the sawmill. Three-fourths of the ride is downright tranquil, with occupants bobbing along the course dry and relaxed. But everyone is looking ahead to the end of the ride when the log will be carried to the top of a high chute and come plunging down to the water at the bottom with a tremendous splash. The log is designed to throw the water out in a fan-shaped plume ahead of the boat when it hits. Most of the time, just a light spray carries back to "refresh" the riders. In a strong wind, however, or if the log hits a little wapperjawed, the passengers can get doused. They know this—a sign at the entrance says "We'll bet you get wet"—and they love it. A wet shirt



at the end of the ride is worn like a battle decoration by the "survivors." The ride has proven so popular that a second, even splashier course, "Shoot the Rapids," has been added at Frontier Town.

Understanding the psychology of it, however, is not the least bit important. All that anyone has to remember is that Cedar Point is designed for fun and offers something for the entire family. One of the most popular promotional features, installed as a regular practice this year, is that every day is a "one-price day." Guests who choose to buy this form of admission have unlimited day-long use of the Funway's 150 rides and attractions as well as the beach. As one excited eight-year-old, armed with such a ticket, put it, "This is a kid's paradise."

The rides at Cedar Point are as varied as they are imaginative. A breathtaking view of the park and lake can be had from the Space Spiral that carries 60 people in its double-decked cabin that revolves while moving to the top of a 330-foot shaft and back. Grandad can drive a gas-powered 1910 Cadillac over a course complete with a covered bridge guaranteed to bring back memories. For the sporty set of



all ages (providing they are tall enough to reach the gas pedal), there are snappy convertibles that can be steered over roads that include bridges and underpasses. Another great view of the park can be had from the aerial cable ride that soars 90 feet in the air from one end of the Funway to the other. A second sky ride has been added to carry visitors from the western end of the Funway to Frontier Town at the tip of the point. In addition, there are the traditional carousel, a double Ferris wheel 90-feet high, fun house, wax museum, balloons, cotton candy, restaurants, penny arcades—everything a person expects to find at an amusement park, plus



(left) The Sky Ride offers a spectacular view of the park, as does (center) the Space Spiral, which revolves as it moves up and down the 330-foot shaft. (below) This young girl will give you a chance to "win a Kewpie doll for the little lady." (bottom) Gulf is much in evidence at Cedar Point, in the sports car or old car rides, and at the service station near the main parking area. (facing page) Great floral gardens form islands of color all along the Funway at Cedar Point.



a number of completely unexpected treats.

One of these is the Cedar Point and Lake Erie Railroad. Passengers, seated in open-sided cars, highball along over a two-mile route through the forest, over bridges, past ghost towns, Indians, and firemen fighting a blaze at a Wells Fargo relay station. The coal-burning engines that pull the trains are not toys. They were built for use on Southern plantations to haul sugarcane. The "Maud L," for instance, was built in 1902 by Baldwin Locomotive Works in Philadelphia. Delivered to a Louisiana plantation, it was named by its owner, so the story goes, after the daughter of a woman he had fallen deeply in love with but who did not return his love. When, after many years of pulling cane trains, the "Maud L" was sold to Cedar Point in 1962, the bill of sale stipulated that the name



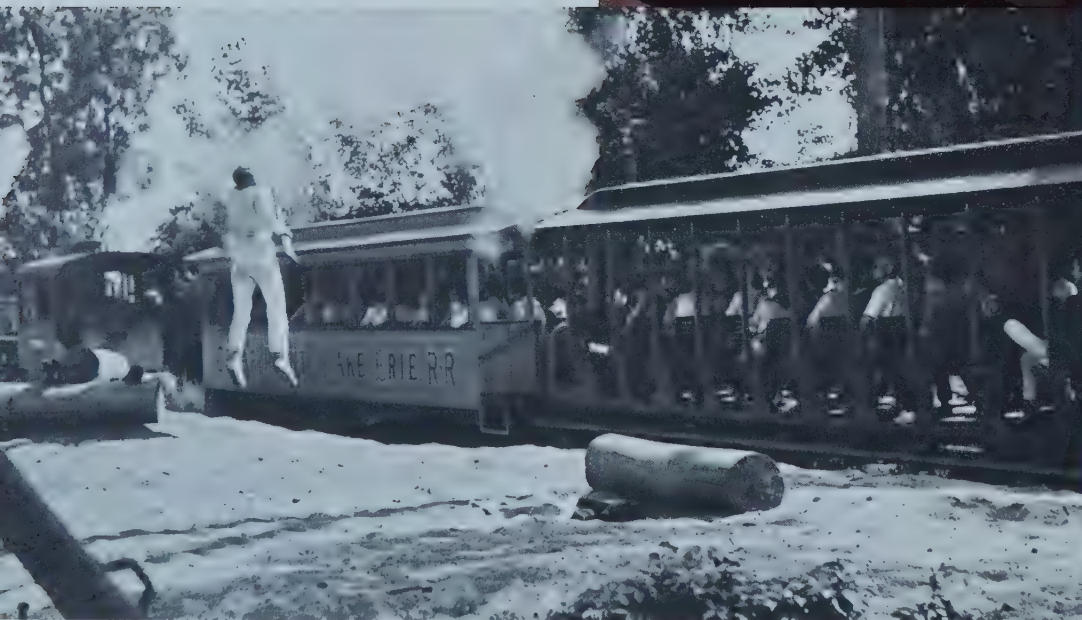








(above) The Western Cruise offers a quiet riverboat ride—except when the Indians on shore get out of hand. The Cedar Point & Lake Erie Railroad, which uses authentic coal burning engines, has its troubles, too, when the train is attacked by an attractive "bandit." From the Sky Ride, the Calypso appears to be a fairytale garden of giant toadstools spinning below.



"Maud L" should continue to be carried on the engine's cab.

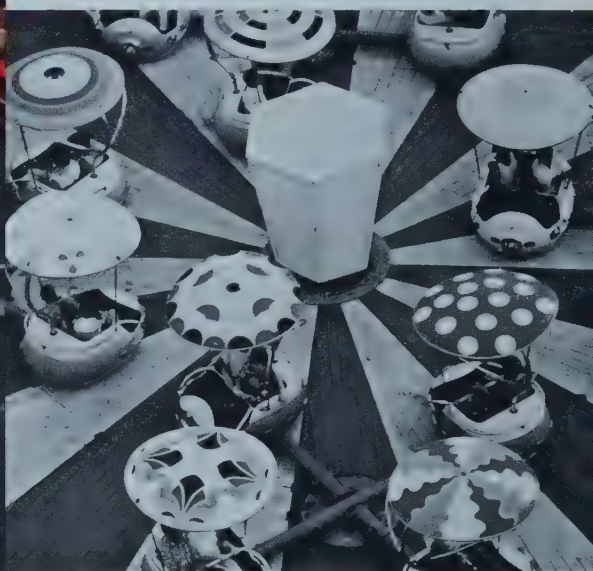
Another unexpected, but delightful, aspect of Cedar Point is its beauty and cleanliness. A crew of landscapers and gardeners have transformed the sandy peninsula into a series of tasteful, eye-catching floral displays. An army of workers (part of the

nearly 2,000 summer employees, mostly college students) is constantly cleaning and vacuuming the grounds. The result is that the park retains its brightness and freshness throughout the season, right up to closing time at Labor Day.

Cedar Point has had a rich and varied history. It was a favorite hunting spot of

the Indians, who hunted deer within the confines of the peninsula when laying in food for the winter. Later, the white man also hunted there and found it to be an excellent fishing ground. Cedar Point can trace its beginning as a family resort area to the period immediately following the Civil War. During the war a man named Louis Zistel had built and operated, on government contract, two boats to transport Confederate officers to the Union Prison on Johnson's Island in Sandusky Bay. After the war, he began using the boats to haul pleasure seekers to Cedar Point where they could have picnics and dance.

Two other historical items deserve notice. In 1910 Glenn Curtiss set a record for the longest overwater flight in a pusher-type plane when he flew from Cleveland to Cedar Point. A public relations man's dream, the flight drew 20,000 spectators to the beach. A second attempt (which failed to break the earlier record) brought an even bigger turnout. At about the same time, Knute Rockne, along with other Notre Dame students, was working at Cedar Point during summer vacations. According to the Point's official history, Rockne "was a life guard, and during off hours he and Gus Dorais practiced endlessly with a football



on the Cedar Point beach, perfecting the forward pass play that revolutionized American football and shot Notre Dame into national prominence in 1913. Years later, in 1949, the Notre Dame Club of Cleveland, in a ceremony attended by Rockne's Four Horsemen, erected a bronze memorial plaque on the beach."

Plaques on the beach are an incidental attraction, however. The beach offers the visitor, footsore and weary from "doing" the park, a welcome change of pace where he can relax and cool off. So do the dances. Saturday night, for example, is Big





Band Night, when some of the best orchestras in the country perform. Added to this is a season-long, \$300,000 program of free entertainment featuring everything from vocalists and dancers to ventriloquists and strolling performers. Louis Armstrong, Al Hirt, Duke Ellington, Brenda Lee, and The New Christy Minstrels are some of the many performers on this season's schedule.

It is this total entertainment package that has made Cedar Point one of the most popular recreational spots in Ohio. Group bookings are growing each year; more and more high schools, business groups, women's clubs, fraternal organizations are planning their outings at Cedar Point. And many parties are even coming from out of state.

Despite the growing numbers of visitors, Cedar Point's management has been able to keep ahead of the crowd. The addition of more rides and upgrading old amusements each year keep waiting time in lines to a minimum. Careful planning has preserved the beauty and spaciousness of the site. The result is that after a day at the park, many visitors have said, intending a compliment, "You should rename the place 'Disneyland East.'" The Cedar Point officials thank them, but instead of resting on their laurels, go right on working. After a while it dawns on you what they're working toward. They are not content with the title 'Disneyland East'—they're looking forward to the day when people begin telling the Disneyland people that they should rename their park in California "Cedar Point West."



(above) As the day ends, a tired teenager relaxes against one of the many candy-striped receptacles that help keep the park amazingly litter-free. At night the amusement park becomes another world—the Flying Coaster and Ferris Wheel are transformed into psychedelic light swirls.





## THE NEWS

GULF'S EARNINGS for the first quarter, 1968, set a record for the sixth consecutive year. First quarter income was \$154,187,000, or 10.1 percent more than the \$140,043,000 recorded in 1967. The figure is equal to \$1.49 per share or 14 cents more than the \$1.35 per share in 1967. First quarter earnings reflect the fact the Company has set aside sufficient funds to pay a 10 percent surtax on income should it be enacted by Congress.

Net production of crude oil, condensate, and natural gas liquids averaged 2,393,859 barrels per day, a decrease of 1.4 percent over last year's quarter. This figure was abnormally high last year because Kuwaiti production was at above-normal levels to provide crude for others due to a shutdown of the Syrian pipeline.

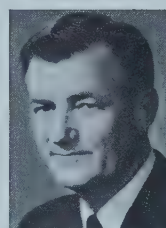
However, U. S. net production of liquid hydrocarbons averaged 597,556 barrels per day, an increase of 9.8 percent. This volume consisted of 525,475 barrels daily of crude oil and condensate and 72,081 barrels daily of natural gas liquids. The U. S. production of natural gas liquids was up 44 percent, principally because of the Company's new processing complex at Venice, La.

Daily net natural gas production averaged 3,048,773,000 cubic feet, a 14.7 percent gain; crude oil processed daily, 1,340,179 barrels, up 3.2 percent; and daily refined products sold, 1,523,361 barrels, up 8.9 percent.

Chemical sales increased 16.6 percent to 901,765 tons, reversing the trend which prevailed in 1967. The increase was due primarily to higher volumes of petrochemicals sales.



A QUARTERLY DIVIDEND of sixty-five cents (65¢) per share, payable June 10, 1968, to shareholders of record at the close of business, May 3, 1968, was declared by the Directors of Gulf Oil Corporation at their meeting of April 23, 1968.



F. S. Schwend



A. R. Martin



C. W. Peery



P. E. Holloway



R. B. Hoffman

MAJOR CHANGES IN ORGANIZATION aimed toward further decentralization of the Company's worldwide operations have been made (see page 16, "Annual Meeting—1968"). The changes announced by Board Chairman E. D. Brockett and President B. R. Dorsey, in March, provide for delineation of new areas of responsibility along geographical lines and for the further development of the basic decentralization policy initiated by Gulf more than a decade ago.

The announcement outlined the formation of a new division, Gulf Oil Company—U.S., with responsibility for all petroleum-related U. S. Operations of the Corporation. Fred S. Schwend is President with headquarters in Houston, Texas.

In addition, presidents have been named for four other companies: A. R. Martin was named President of Gulf Oil Company—Eastern Hemisphere, with headquarters in London. Cliff W. Peery was named President, Gulf Oil Company—Latin America, with headquarters at Coral Gables, Florida. P. E. Holloway is President of Gulf Oil Company—Asia. R. B. Hoffman is President of Gulf Oil Trading Company, with headquarters in Pittsburgh.



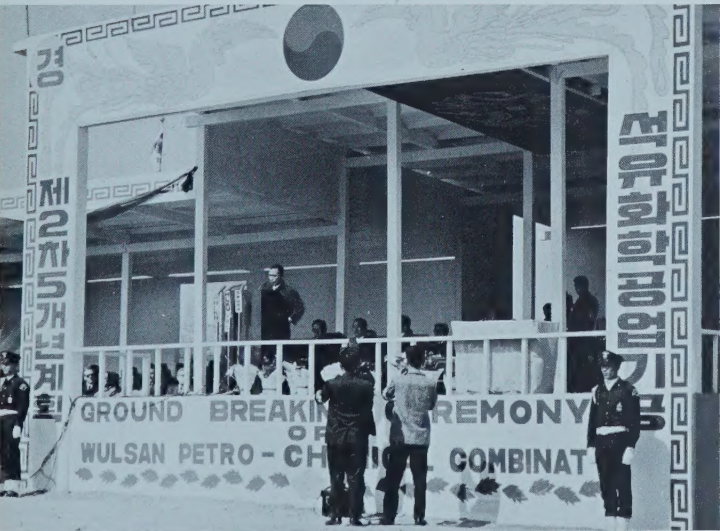




R. G. Connolly

RUSSELL G. CONNOLLY has been elected a Vice President of Gulf Oil Corporation, with responsibility for personnel and employee benefits. Mr. Connolly will remain Secretary for the Corporation, a post he has held since 1955. As Corporate Secretary, his responsibilities include advising Gulf executives and the Board of Directors on legal matters concerning shareholders, certain government agencies, and the stock exchanges. Gulf's Organization and Personnel Department will report to him.

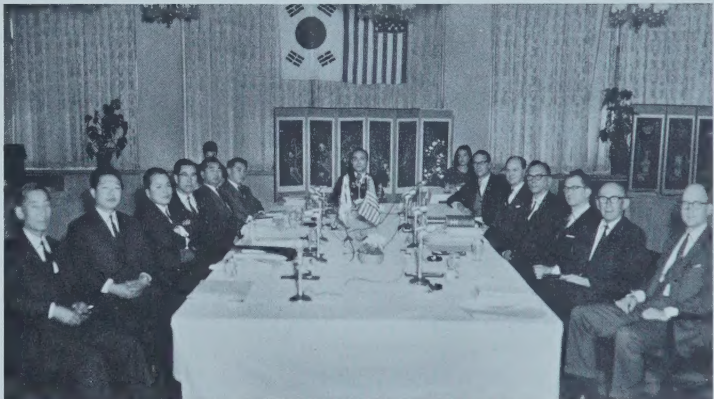
Mr. Connolly joined Gulf in the Pittsburgh Executive Offices in 1948 as an Attorney in the Law Department. Born in Pittsburgh in 1913, he earned an A.B. degree from the University of Pittsburgh in 1936. He received an LL.B. degree from the University of Pittsburgh Law School in 1939.



PRESIDENT PARK, CHUNG HEE of the Republic of South Korea spoke at groundbreaking ceremonies March 22 for the petrochemicals complex to be built near Wulsan by Korea Oil Corporation. Attending the event were dignitaries from the Government of South Korea, officials of KOCO, Pacific Gulf Oil, Korea Gulf Oil, and Gulf Oil Corporation, along with several thousand citizens from the Wulsan area. At the conclusion of his address, President Park pushed a button that set in motion the excavation work.



KUWAIT OIL COMPANY Board of Directors held its quarterly meeting recently in Kuwait. Attending the meeting were G. O. Relf, Vice President, Gulf Oil Company—Eastern Hemisphere; Mahmoud Adasani and Feisal Mazidi, Ministry of Finance, Kuwait; K. R. Henshaw, Managing Director, KOC (London); J. E. Lee, Managing Director, KOC (Kuwait); H. R. Coxon, KOC Secretary; A. R. Martin, President, Gulf Oil Company—Eastern Hemisphere; D.E.C. Steel, Managing Director, British Petroleum; and D.A.G. Sarre, BP.



KOREA OIL CORPORATION Board of Directors is shown here as it met in Seoul recently. Attending the meeting are H. C. Kwon, Chief Government Investment Bureau, Ministry of Finance; J. B. Lee and Y. B. Ha, Ministry of Finance; Y. T. Kim, Chief Planning and Comptroller Bureau, Ministry of Commerce and Industry; S. H. Kim, Ministry of Commerce and Industry; H. K. Chang, Vice President, KOCO; General Park, Won Suk, President, KOCO; W. W. Finley, Jr., Executive Vice President, Pacific Gulf Oil, who has since been named Worldwide Coordinator of Refining, and transferred to the Executive Offices, Pittsburgh; M. L. Ralston, Executive Vice President, Korea Gulf Oil; T. M. Anderson, Associate General Counsel; L. E. Croup, Vice President, Refining; R. K. Pearson, Assistant Comptroller; and D. G. Smyth, Assistant Treasurer, Pacific Gulf Oil.







THAILAND GULF OIL COMPANY signed a Petroleum Agreement with the government of the Kingdom of Thailand in April. The agreement awarded Thailand Gulf the right to explore for and produce petroleum in four areas totaling approximately 15,600 square miles, located offshore in the Gulf of Thailand and onshore near the capital city of Bangkok. Shown at the signing of the agreement are (seated, right to left) His Excellency, Minister Pote Sarasin, Minister of the Royal Thai Ministry of National Development; Paul Truitt, Exploration Manager, Thailand Gulf; Colonel Surindr Cholprasard, Deputy Under Secretary of State for National Development; F. L. Whittington, Executive Vice President, South East Asia Gulf Company; (standing directly behind) Miss Chariyaporn Chantarasaka and Pisoot Sudasna, Department of Mineral Resources. Others attending the signing were H. I. Goodman, Far East Coordinator, Gulf; W. W. Finley, Executive Vice President, Pacific Gulf, who has since been named Worldwide Coordinator, Refining, with headquarters in Pittsburgh Executive Offices; J. O. Carter, Vice President, and H. D. Horton, Concession Advisor, South East Asia Gulf Company.



W. W. Finley, Jr.

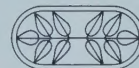


W. C. Offutt

W. W. FINLEY, JR., has been named Worldwide Coordinator of Refining with headquarters in the Executive Offices, Pittsburgh. He succeeds W. C. OFFUTT who will remain in Pittsburgh on special assignment. Mr. Finley was in Tokyo as Far East Area Representative of Gulf and as Executive Vice President of Pacific Gulf Oil Limited, a subsidiary.



B. R. DORSEY, Gulf President, was honored by the Pittsburgh Chapter, Pennsylvania Society of Professional Engineers at its annual meeting February 12 when he was presented with the 1968 Professional Engineers Distinguished Service Award. Dr. E. B. Stuart (center), PE Chairman of the Awards Committee and Head of the Chemical Engineering Department, University of Pittsburgh, made the award assisted by David Figgins, PE President, Pittsburgh Chapter, PSPE, and Vice President, Mellon-Stuart Company.



THE UNIVERSITY OF PITTSBURGH'S Engineering Fund was enriched in March by payments from Gulf of two \$100,000 installments on its pledge of \$300,000 to aid in equipping the Michael L. Benedum Hall now under construction. The checks were presented by Dr. A. Lewis, Jr. (left) Gulf Senior Vice President and Chairman, Education Committee, to Dr. A. C. Van Dusen, Vice Chancellor for Program Development and Public Affairs, and Dr. Harold E. Hoelscher, Dean of the School of Engineering.







J. H. McDonald



F. L. Bryan

JAMES H. McDONALD has been named Manager of Refining for Gulf Oil Company—Latin America, a wholly owned subsidiary with headquarters in Coral Gables, Florida. Mr. McDonald replaces FRANK L. BRYAN who has been named Director of Technical Training programs and transferred to the Pittsburgh Executive Offices.

A native of Smackover, Ark., Mr. McDonald received a B.S. in chemical engineering from Louisiana Polytechnic in 1952. In the same year, he joined Gulf's Port Arthur Refinery as a Junior Chemical Engineer. After holding various engineering positions, he was appointed Supervisor of the Economics Section at Port Arthur in 1962, and in 1964, was transferred to the staff of the Worldwide Coordinator of Refining in Pittsburgh.

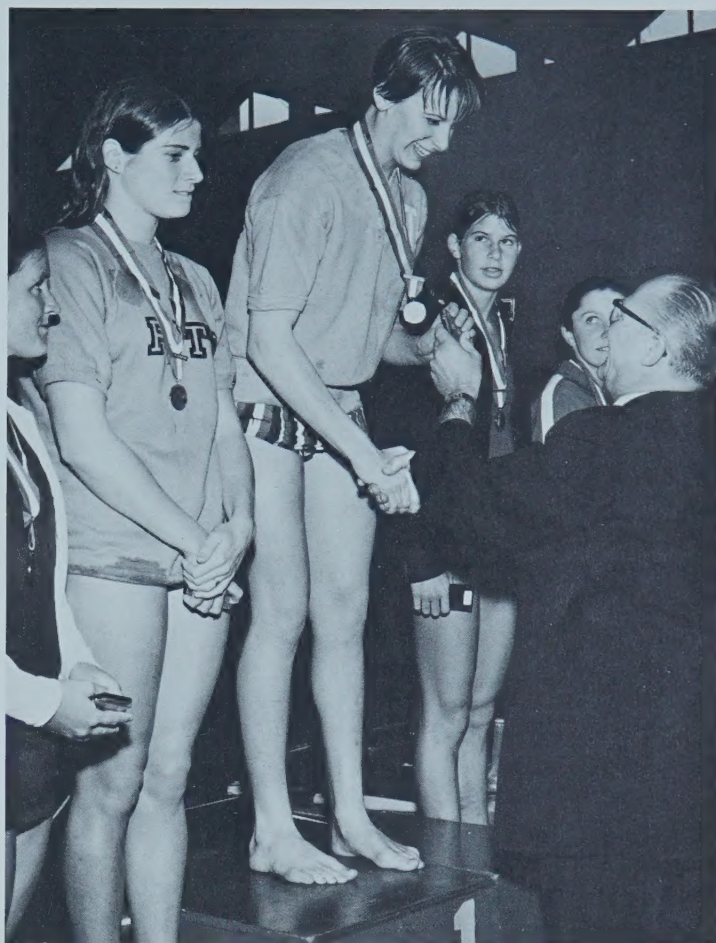
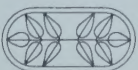
In 1966, he was named Director of Planning and Economics for Refinery Coordination in the Western Hemisphere, and in 1967, was appointed Director of Eastern Hemisphere Coordination for the Crude Oil Department.

Mr. Bryan was born in Dublin, Texas, and received his B.S. degree in chemical engineering from Texas A&M University in 1933. He joined Gulf's Port Arthur Refinery in the same year as a Laboratory Operator and held various technical positions there until entering the Army in 1941. On his return from the service Mr. Bryan was named Assistant Chief Chemist at Port Arthur, and in 1956, was named Manager of Services at the refinery. He was appointed Coordinator of Domestic Refining in Houston in 1959. In 1962, he was transferred to Coral Gables as Manager of Refining for Latin American Gulf.



GULF MINERALS COMPANY, a wholly owned subsidiary, has obtained permits to explore for uranium and other minerals on 575,000 acres in the area of the Athabasca Formation of northwestern Saskatchewan, Canada. Gulf also has acquired exploration permits for an additional 1,150,000 acres elsewhere in the same basin, through an agreement with New Continental Oil Company of Canada Limited.

The decision by Gulf to begin an active minerals exploration program on both blocks this summer is based on the results of preliminary surveys of the entire basin last year by New Continental. The agreement between the two companies covers the total acreage. Under its terms, Gulf will finance and operate the exploration program, as well as any resulting mining and processing facilities. New Continental will share in earnings from any of these operations. Both companies noted that they have been encouraged by the support given to them by officials of the Province of Saskatchewan.



GIRL SWIMMERS made news in Pittsburgh the week of April 18 at the 1968 Women's Senior AAU Short Course Swimming and Diving Championships and Olympic qualifying meet. The first six place winners in all events qualify for the Olympic tryouts to be held in Long Beach in August. The Olympic Games will be held in Mexico City this fall. Of the numerous events of the AAU meet, Gulf sponsored the three-meter diving and the 200-yard backstroke competition. Shown presenting the first place medal to Kaye Hall, Tacoma, winner of the 200-yard backstroke event is Hugh L. Scott, Production Coordinator, Exploration & Production, Pittsburgh. Mr. Scott also presented a medal to Kendis Moore for fourth; Cathy Corcione, Shore ACNT, for second; Susie Atwood, Lakewood, for third; Lynn Skirfuars, Phillips 66, for fifth; and Cecilia Dougherty (not shown), Philadelphia AC, for sixth place.

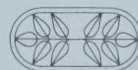
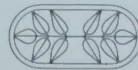


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